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ON

CERTAIN TARIFF AND TRADE BILLS

VOLUME I

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FOR IMMEDIATE RELEASE
WEDNESDAY, MAY 3, 1989

SUBCOMMITTEE ON TRADE #10
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-3943

THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES REQUEST FOR WRITTEN COMMENTS ON CERTAIN TARIFF AND TRADE BILLS

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee on Trade is requesting written testimony for the record from all interested parties on the miscellaneous tariff and trade bills listed below.

A determination regarding further scheduling of public hearings or other Subcommittee action on any of these bills will not be made until after the close of this public comment period.

The tariff and trade bills on which written testimony will be received are:

Duty Suspension Bills

H.R. 653 (Mr. Vander Jagt): To suspend for a 5-year period the duty on Bendiocarb.

H.R. 698 (Mr. Matsui): To provide for the temporary suspension of duty on certain magnetic video tape recordings.

H.R. 731 (Mr. Guarini): To provide for the temporary suspension of duty on tamoxifen citrate for a 3-year period.

H.R. 732 (Mr. Guarini): To temporarily suspend the duty on methyl and ethyl parathion.

H.R. 914 (Mr. Smith of Florida): To suspend temporarily the duty on calcium acetylsalicylate (calcium carbaspirin).

H.R. 1094 (Mr. Frenzel): To provide for the temporary suspension of the duty on certain two-stroke cycle piston engines.

H.R. 1126 (Mr. Gradison): To suspend temporarily the duty on self-folding collapsible umbrellas.

H.R. 1156 (Mr. Jacobs): To suspend temporarily the duty on a certain chemical intermediate.

H.R. 1160 (Mr. Mollohan): To suspend temporarily the duty on octadecyl isocyanate.

H.R. 1184 (Mr. Andrews, Mr. Pickle, Mr. Archer, and Mr. Jenkins): To suspend temporarily the duty on furniture, seats, and parts thereof of unspun fibrous vegetable materials.

H.R. 1196 (Mr. Ford of Tennessee, et al): To suspend until January 1, 1993, the duty iohexol.

H.R. 1220 (Mr. Spratt): To suspend for a 5-year period the duty on certain brown, orange, and violet dyes.

H.R. 1320 (Mr. Spratt): To suspend for a 5-year period the duty on certain blue and green dyes.

H.R. 1321 (Mr. Spratt): To suspend for a 5-year period the duty on vat red 10 dye.

H.R. 1322 (Mr. Spratt): To suspend for a 5-year period the duty on certain brown, orange, and violet dyes.

H.R. 1323 (Mr. Spratt): To suspend for a 5-year period the duty on certain dyes.

H.R. 1428 (Mr. Frenzel): To suspend temporarily the duty on certain plastic web sheeting.

H.R. 1442 (Mr. McMillan of North Carolina): Relating to the tariff treatment of triflurομethylaniline (also known as m-Aminobenzotrifluoride).

H.R. 1443 (Mr. Ravenel): To suspend temporarily the duty on Resolin Red F3BS components I and II.

H.R. 1444 (Mr. Ravenel): To suspend temporarily the duty on DMSS.

H.R. 1445 (Mr. Ravenel): To suspend temporarily the duty on pentachlorobenzenethiol.

H.R. 1446 (Mr. Ravenel): To suspend temporarily the duty on paramine acid.

H.R. 1447 (Mr. Ravenel): To suspend temporarily the duty on Trimethyl base.

H.R. 1482 (Mr. Vander Jagt): To suspend for a 3-year period the duty on diphenyldichlorosilane and phenyltrichlorosilane.

H.R. 1537 (Mr. Nagle): To suspend until the close of December 31, 1990, the duty on sulfachloropyridazine (technical).

H.R. 1571 (Mr. McEwen, Mr. Chandler, and Mr. Miller of Washington): To amend the Harmonized Tariff Schedule of the United States to suspend the duties on certain bicycle parts, and for other purposes.

H.R. 1657 (Mr. Jenkins): To suspend temporarily the duty on diphenolic acid.

H.R. 1680 (Mr. Crane): To suspend temporarily the duty on fluorescent yellow FGPN.

H.R. 1681 (Mr. Crane): To suspend temporarily the duty on fluorescent yellow R.

H.R. 1695 (Mr. Guarini): To suspend for a 3-year period the duty on Levodopa.

H.R. 1696 (Mr. Guarini): To suspend for a 3-year period the duty on Diflunisal.

H.R. 1697 (Mr. Guarini): To suspend for a 3-year period the duty on ADC-6.

H.R. 1715 (Mr. Vander Jagt): To suspend temporarily the duty on pigment red 178.

H.R. 1716 (Mr. Vander Jagt): To suspend temporarily the duty on DEMAP.

H.R. 1717 (Mr. Vander Jagt): To suspend temporarily the duty on isoindolenine red pigment.

H.R. 1718 (Mr. Vander Jagt): To suspend temporarily the duty on pigment red 149 dry and pigment red 149 presscake.

H.R. 1719 (Mr. Walgren): To suspend temporarily the duty on mesalamine.

H.R. 1724 (Mr. Clinger): To suspend temporarily the duty on N-methylaniline and m-chloroaniline.

H.R. 1726 (Mr. Clinger): To suspend temporarily the duty on naphthalic acid anhydride.

H.R. 1728 (Mr. Ford of Michigan): To suspend temporarily the duty on certain alloyed steel bars.

H.R. 1738 (Mr. Schulze): To provide for the temporary suspension of the duty on molten-salt-cooled acrylic acid reactors and their associated parts, accessories, and equipment.

H.R. 1749 (Mr. Crane): To suspend temporarily the duty on certain glass bulbs until January 1, 1993.

H.R. 1766 (Mr. Miller of Washington, and Mr. Chandler): To suspend temporarily the duty on certain luggage frames of aluminum.

H.R. 1770 (Mr. Brown of Colorado): To suspend temporarily the duty on carfentanil citrate.

H.R. 1777 (Mr. Frenzel): To suspend temporarily the duty on in-line roller skate boots.

H.R. 1789 (Ms. Schneider): To suspend temporarily the duty on D Salt.

H.R. 1790 (Ms. Schneider): To suspend temporarily the duty on anis base.

H.R. 1791 (Ms. Schneider): To suspend temporarily the duty on naphthol AS types.

H.R. 1792 (Ms. Schneider): To temporarily suspend the duty on theobromine.

H.R. 1793 (Ms. Schneider): To temporarily suspend the duty on chlorhexanone.

H.R. 1794 (Ms. Schneider): To suspend temporarily the duty on Broenner's acid.

H.R. 1795 (Ms. Schneider): To suspend temporarily the duty on Neville and Winter's acid.

H.R. 1814 (Mr. Gradison): To suspend temporarily the duty on Teicoplanin.

H.R. 1815 (Mr. Gradison): To suspend temporarily the duty on Ornithine.

H.R. 1817 (Mr. McMillan of North Carolina): To suspend temporarily the duty on chemical light activator blend.

H.R. 1818 (Mr. Morrison of Connecticut): To suspend temporarily the duty on 2,4-Diamino-6-phenyl-1,3,5-triazine.

H.R. 1822 (Mr. Ravenel): To suspend temporarily the duty on anthraquinone (AQ).

H.R. 1837 (Mr. Skaggs): To amend the Harmonized Tariff Schedule of the United States to suspend the duties on certain infant nursery monitors and intercoms.

H.R. 1844 (Mr. Coyne, and Mr. Walgren): To suspend temporarily the duty on 1,5 naphthalene diisocyanate.

H.R. 1850 (Mr. Frenzel): To provide for the temporary suspension of the duty on certain Christmas ornaments.

H.R. 1851 (Mr. Frenzel): To suspend temporarily the duty on ceramic mugs not in sets.

H.R. 1855 (Mr. McEwen, Mr. Chandler, and Mr. Miller of Washington): To amend the Harmonized Tariff Schedule of the United States to suspend the duties on certain bicycle parts, and for other purposes.

H.R. 1857 (Mr. Morrison of Connecticut): To suspend temporarily the duty on Ciprofloxacin Hydrochloride.

H.R. 1858 (Mrs. Patterson): To suspend temporarily the duty on MDBS and HPBA.

H.R. 1859 (Mr. Rose): To suspend temporarily the duty on thiothiamine hydrochloride.

H.R. 1868 (Mr. Andrews): To suspend temporarily the duty on a certain speciality thermoset resin.

H.R. 1872 (Mr. Archer): To temporarily reduce and to suspend the duty for 1,6-hexamethylene diisocyanate.

H.R. 1884 (Mr. Carper): To suspend temporarily the duty on quizalofop-ethyl.

H.R. 1885 (Mr. Carper): To suspend temporarily the duty on tefluthrin.

H.R. 1887 (Mr. Coughlin): To suspend for a three-year period the duty on L-alanyl L-proline, also known as Ala Pro.

H.R. 1888 (Mr. Courter): To suspend temporarily the duty on mono- and dibenzyl toluenes.

H.R. 1889 (Mr. Courter): To suspend temporarily the duty on hexychlorobutadiene.

H.R. 1890 (Mr. Courter): To suspend temporarily the duty on 2,2,6,6-Tetramethyl-4-piperidinon and amino hydroxy- and imido derivatives.

H.R. 1891 (Mr. Courter): To suspend temporarily the duty on p-Toluic acid.

H.R. 1892 (Mr. Courter): To suspend temporarily the duty on Tertiary-Butylchloride.

H.R. 1893 (Mr. Courter): To suspend temporarily the duty on berychloride.

H.R. 1894 (Mr. Crane): To suspend temporarily the duty on parts of generators for use on aircraft.

H.R. 1895 (Mr. Crane): To suspend temporarily the duty on parts of speed changers for hydromechanical transmissions for use on aircraft.

H.R. 1898 (Mr. DeFazio): To suspend temporarily the duty on garments specially designed for handicapped persons who are not ambulatory.

H.R. 1904 (Mr. Dwyer of New Jersey): To suspend for a 3-year period the duty on amiloride hydrochloride.

H.R. 1905 (Mr. Dwyer of New Jersey): To suspend for a 3-year period the duty on D-carboxamide.

H.R. 1906 (Mr. Dwyer of New Jersey): To suspend for a 3-year period the duty on Norfloxacin.

H.R. 1907 (Mr. Dwyer of New Jersey, and Mr. Guarini): To suspend temporarily the duty on Iopamidol.

H.R. 1910 (Mr. Gilman): To suspend temporarily duty on (6R-(6a,7B(Z)))-7-(((2-Amino-4-thiazolyl) ((carboxymethoxy) imino) acetyl) amino)-3-ethenyl-8-oxo-5-thia-1-azabicyclo (4.2.0) oct-2-ene-2-carboxylic acid.

H.R. 1911 (Mr. Gilman): To suspend temporarily the duty on 7-Acetyl-1,1,3,4,4,6-hexamethyltetrahydronaphthalene.

H.R. 1912 (Mr. Gilman): To suspend temporarily the duty on N-(4-(((2-Amino-5-formyl-1,4,5,6,7,8-hexahydro-4-oxo-6-pteridinyl)methyl)amino)benzoyl)-L-glutomic acid.

H.R. 1914 (Mr. Grandy): To suspend temporarily the duty on mercuric oxide.

H.R. 1919 (Mr. Green): To suspend temporarily the duty on wicker products.

H.R. 1923 (Mr. Holloway): To suspend temporarily the duty on 2-Ethylanthraquinone.

H.R. 1926 (Mrs. Johnson of Connecticut): To suspend temporarily the duty on N-[[4-chlorophenyl)amino] carbonyl]-2,6-diflourobenzamide.

H.R. 1927 (Mrs. Johnson of Connecticut): To suspend temporarily the duty on 2,6-dichlorobenzonitrile.

H.R. 1928 (Mrs. Johnson of Connecticut): To suspend temporarily the duty on 1[1-((4-chloro-2-(triflouromethyl)phenyl) imino)-2-propoxethyl)-1H-imadazole.

H.R. 1934 (Mr. Levine of California): To suspend temporarily the duty on certain machined electronic connector contact parts.

H.R. 1940 (Mr. Manton): To extend the existing suspension of duty on certain knitting machines designed for sweater strip or garment length knitting.

H.R. 1943 (Mr. Mollohan): To suspend temporarily the duty on MBEP.

H.R. 1944 (Mr. Mollohan): To suspend temporarily the duty on BPIP.

H.R. 1954 (Mr. Rose): To suspend until December 31, 1992, the duty on a herbicide intermediate.

H.R. 1956 (Ms. Schneider): To suspend temporarily the duty on K-Acid.

H.R. 1958 (Mr. Schulze): To suspend temporarily the duty on Ceftazidime Tertiary Butyl Ester.

H.R. 1959 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 4 amino acetanilide.

H.R. 1960 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 6 amino-2-napthene sulfonic acid.

H.R. 1961 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 8 amino-2 naphthene sulfonic acid.

H.R. 1962 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 5 (and 8) amino-2 naphthalene sulfonic acid.

H.R. 1963 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 5 amino 2 napthalene sulfonic acid.

H.R. 1964 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 1-naphthylamine.

H.R. 1965 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 4-amino-1-naphthalene sulfonic acid, sodium salt.

H.R. 1966 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 1,4 dihydroxyanthraquinone.

H.R. 1967 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 7 Nitro naphth [1,2] oxadiazole 5-sulfonic.

H.R. 1968 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 4-chloro-a-a-a-trifluoro-o-toluidine.

H.R. 1969 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 7-amino-1,3-naphthalene sulfonic acid mono potassium salt.

H.R. 1970 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 2-amino-4-chlorophenol.

H.R. 1971 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 2,4-diamino benzene sulfonic acid.

H.R. 1972 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 2,5 dichloro-4-(3-methyl-5-oxo-2 pyrazolin-1-yl) benzene sulfonic acid.

H.R. 1973 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 7-hydroxy 1,3-naphthalene disulfonic acid-dipotassium salt.

H.R. 1974 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on O-Anisidine.

H.R. 1975 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 1-Amino-2-Bromo-4-Hydroxy-anthraquinone.

H.R. 1976 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 2-chloro-4-nitroaniline.

H.R. 1977 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on (1,3,3 trimethyl-indoline-2-ylidene) acetaldehyde.

H.R. 1978 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 2,3 dihydro 1,3,3 trimethyl-2-methylene-1H-indole.

H.R. 1979 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 2[(4 aminophenyl) sulfonyl] ethanol hydrogen sulfate ester.

H.R. 1980 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 7-anilino-4-hydroxy-2 naphthalene sulfonic acid.

H.R. 1983 (Mr. Shays): To suspend temporarily the duty on 6-t-butyl 2,4 xylenol.

H.R. 1986 (Mr. Solomon): To suspend temporarily the duty on certain acid black powder and presscake.

H.R. 1987 (Mr. Solomon): To suspend the duty on rhodamine 2C base, polymin P and polymin P hydrochloride, and polymin SNA 60.

H.R. 1988 (Mr. Stokes, and Mr. Gradison): To temporarily suspend the duty on mixed ortho/para toluene sulfonomide.

H.R. 1989 (Mr. Torricelli): To suspend temporarily the duty on certain unstuffed dolls.

H.R. 1990 (Mr. Torricelli): To suspend temporarily the duty on certain unstuffed toys.

H.R. 1996 (Mr. Schulze, and Mr. Yatron): To suspend temporarily the duty on 1,4-diamino-2,3 dihydroanthraquinone.

H.R. 2001 (Mr. Valentine): To suspend for a 3-year period the duty on Tfa Lys Pro in free base and tosyl salt forms.

H.R. 2003 (Mr. Frenzel): To suspend for a 5-year period the duty on Dimethoate.

H.R. 2007 (Mr. McGrath): To provide for the suspension of duty on castor oil and its fractions.

Extension of Existing Suspension Bills

H.R. 944 (Mr. Frenzel): To extend until January 1, 1994, the existing suspension of duty on certain wools.

H.R. 1683 (Mr. Crane, et al): To extend the temporary suspension of duty on certain parts of indirect process electrostatic copying machines.

H.R. 1739 (Mr. Schulze): To extend the existing suspensions of duty on certain benzenoid dye intermediates.

H.R. 1740 (Mr. Schulze): To extend the temporary suspension of duty on certain textile machines.

H.R. 1768 (Mr. Blaz): To extend the existing suspension of duty on certain knitwear fabricated in Guam.

H.R. 1779 (Mr. Jenkins): To extend the existing suspension of duty on crude feathers and down.

H.R. 1824 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on dinocap and on mixtures of dinocap with application adjuvants.

H.R. 1825 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on triethyleneglycol dichloride.

H.R. 1826 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on mixtures of maneb, zineb, mancozeb and metiram.

H.R. 1827 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on methylene blue.

H.R. 1828 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on 2-n-octyl-4-isothiazolin-3-one, and on mixtures of 2-n-octyl-4-isothiazolin-3-one and application adjuvants.

H.R. 1829 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on 3-amino-3-methyl-1-butyne.

H.R. 1830 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on m-Hydroxybenzoic acid.

H.R. 1831 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on 1,1-bis(4-chlorophenyl)-2,2,2-trichloroethanol (dicofol), and on mixtures of dicofol and application adjuvant.

H.R. 1832 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one, 2-methyl-4-isothiazolin-3-one, magnesium chloride and stabilizers, whether or not containing application adjuvants.

H.R. 1833 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on crosslinked polyvinylbenzyltrimethylammonium chloride (Cholestyramine resin USP).

H.R. 1834 (Mr. Schulze): To extend until December 31, 1994, the existing temporary suspension of the duty on mixtures of mancozeb and dinocap.

H.R. 1838 (Mr. Skaggs, and Mr. Campbell of California): To extend the temporary suspension of duty on d-6-Methoxy-a-methyl-2-naphthaleneacetic acid and its sodium salt.

H.R. 1897 (Mr. de la Garza): To extend the temporary suspension of duty on fresh cantaloupes imported between January 1 and May 15 of each year.

H.R. 1920 (Mr. Guarini): To extend for 5 years the existing suspension of duty on stuffed dolls, certain toy figures, and the skins thereof.

Duty-Free Bills

H.R. 767 (Mr. Bilbray): To provide duty-free treatment for three-dimensional cameras.

H.R. 912 (Mr. Shaw, et al): For the relief of the State of Florida.

H.R. 1027 (Mr. Jenkins): To provide temporary duty-free treatment to 2,6-HNA.

H.R. 1596 (Mr. Frenzel): To provide for duty-free imports of certain polyester filament yarns produced in CBI beneficiary countries wholly from U.S. materials, and for other purposes.

H.R. 1639 (Mr. Russo): To provide duty-free treatment for corned beef in airtight containers.

H.R. 1821 (Mr. Ravenel): To provide duty-free treatment for certain menthol feedstocks.

H.R. 1842 (Mrs. Boggs): To provide permanent duty-free entry for certain mixtures of hot red peppers and salt.

H.R. 1848 (Mr. Downey): To provide duty-free treatment for operatic sets, scenery, and properties imported by certain nonprofit, cultural organizations.

H.R. 1869 (Mr. Archer): Relating to the tariff treatment of certain entries of digital processing units.

H.R. 1916 (Mr. Green): To amend the Harmonized Tariff Schedule of the United States to provide duty-free treatment for certain electronic reading products.

H.R. 1917 (Mr. Green): To amend the Harmonized Tariff Schedule of the United States to provide duty-free treatment for certain electronic reading products.

H.R. 1925 (Mr. Jenkins, Mr. Vander Jagt, Mr. Crane, and Mr. Downey): To restore previous exemption for edible molasses containing more than 6 percent non-sugar solids.

H.R. 1933 (Mr. Levin of Michigan): To restore duty-free treatment to certain motor vehicle parts entered under the Automotive Products Trade Act.

H.R. 1950 (Mr. Pickle): To treat tobacco grown in the United States and processed in a designated Caribbean Basin Country as eligible for duty-free entry.

H.R. 1991 (Mr. Torricelli): Relating to the tariff treatment of certain disposable garments.

H.R. 1997 (Mr. Whitten, Mr. Anthony, Mr. Frenzel, Mr. Moody, Mr. Schulze, et al): To amend the Tariff Schedule of the United States to make permanent the existing temporary tariff treatment of certain disposable surgical gowns and drapes.

H.R. 2017 (Mr. Torricelli): To extend temporary duty-free treatment of certain chemicals.

H.R. 2018 (Mr. Vander Jagt): To provide for duty-free entry of chemical methanol.

Duty Reduction Bills

H.R. 943 (Mr. Frenzel): To reduce temporarily the column 2 rate of duty on impact line printers.

H.R. 1694 (Mr. Green): To reduce the rate of duty applicable to certain modeling pastes.

H.R. 1924 (Mr. Hunter, and Mr. Bates): To provide for a temporary reduction in duty on imported fresh, chilled, or frozen brussels sprouts.

H.R. 1936 (Mr. McGrath, and Mr. Gilman): To reduce temporarily the column 2 rate of duty on certain machine tools for planing, gear cutting, gear grinding, or gear finishing.

H.R. 1937 (Mr. McGrath, and Mr. Gilman): To reduce temporarily the column 2 rate of duty on certain machine tools for grinding or honing.

H.R. 1938 (Mr. McGrath, and Mr. Gilman): To reduce temporarily the column 2 rate of duty on certain machine tools for drilling, boring, milling, threading, or tapping by removing metal.

Duty Increase Bills

H.R. 1483 (Mr. Vander Jagt): To repeal the temporary suspension of duty on C-amines.

H.R. 1881 (Mr. Buechner, Mr. Gephardt, et al): To increase temporarily the duty on mattress springs that are the product of Mexico.

Classification Bills

H.R. 1640 (Mr. Russo): To correct the tariff rate inversion on certain iron and steel pipe and tube products.

H.R. 1698 (Mr. Jenkins): To provide equitable tariff treatment regarding certain electromechanical tools.

H.R. 1700 (Mr. Murphy): To amend the Harmonized Tariff Schedule of the United States to exclude certain waste and scrap metals from a provision regarding the return of metal to the United States.

H.R. 1760 (Mr. Schuette, and Mr. Vander Jagt): To correct the tariff classification of certain chipper knife steel products.

H.R. 1783 (Mr. McGrath): To amend the Harmonized Tariff Schedule of the United States with respect to low fuming brazing rods.

H.R. 1843 (Mr. Bustamante): To provide a separate tariff classification for, and to suspend temporarily the duty on, certain opal borosilicate glassware imported in sets.

H.R. 1856 (Mr. McGrath): To correct certain tariff inequities created by the implementation of the Harmonized Tariff Schedule of the United States.

H.R. 1886 (Mr. Carper): Relating to the tariff reclassification of agglomerate marble floor tiles.

H.R. 1896 (Mr. Dannemeyer): To provide separate subheadings in the Harmonized Tariff Schedules of the United States for certain gloves, mittens and mitts, specially designed for use in sports.

H.R. 1900 (Mr. Downey): To add an additional U.S. note to chapter 42 of the Harmonized Tariff Schedule of the United States.

H.R. 1902 (Mr. Downey, and Mr. McGrath): Relating to the tariff treatment of woven fabrics of carded wool or carded fine animal hair, of woven fabrics of combed wool or combed fine animal hair, and of certain gauzes.

H.R. 1903 (Mr. Durbin, Mr. Dorgan of North Dakota, and Mr. Akaka): To extend to ethyl tertiary butyl ether the same tariff treatment provided to ethanol.

H.R. 1939 (Mr. McMillan of North Carolina): To amend the Harmonized Tariff Schedule of the United States to correct the classification of gripping narrow fabrics of man-made fibers.

H.R. 1942 (Mr. Mineta): To extend to protective sports articles the same rate of duty that applied in such goods before January 1, 1989.

H.R. 1952 (Mr. Price): To restore the tariff treatment accorded to hand cast string drawn fishing nets before implementation of the Harmonized Tariff Schedule.

H.R. 1981 (Mr. Sensenbrenner): To amend the Harmonized Tariff Schedule of the United States to correct the classification of twenty-six-inch bicycles.

H.R. 1982 (Mr. Sensenbrenner): To correct the tariff classification of timing apparatus with opto-electronic display only.

H.R. 1984 (Mr. Skaggs): Relating to the tariff classification of protective ski racing apparel.

H.R. 1985 (Mr. Skaggs): Relating to the tariff treatment of sporting gloves not of leather.

H.R. 2036 (Mr. Gradison): To correct the tariff classification of linear motion guides.

H.R. 2074 (Mr. Bilirakis): To correct the tariff treatment accorded zinc printing type.

Customs and Other Nontariff Matters Bills

H.R. 924 (Mr. AuCoin): For the relief of Tube Forgings of America.

H.R. 1001 (Mr. Cheney, Mr. Guarini, et al): To clarify that charges and fees may be collected in connection with foreign trade zones at certain small airports.

H.R. 1198 (Mr. Green): To amend the country of origin marking law requiring that imported manhole rings or frames, covers, and assemblies thereof be marked on the top surface.

H.R. 1284 (Mr. McNulty): For the relief of the City of Albany, New York.

H.R. 1785 (Mr. Perkins): To amend the Foreign Trade Zones Act to renew the existing customs exemption applicable to bicycle parts not reexported in foreign trade zones.

H.R. 1871 (Mr. Archer): Relating to the procedures applied in determining drawback with respect to fungible products commingled in storage.

H.R. 1878 (Mrs. Bentley, et al): To require the posting of a surety bond with respect to products manufactured in foreign countries or customs unions.

H.R. 1901 (Mr. Downey): To eliminate customs user fees on goods originating in the State of Israel.

H.R. 1998 (Mr. Frenzel): To enable the filing of a protest relating to certain customs entries.

H.R. 2019 (Mr. Livingston): To provide for the reliquidation of certain entries.

H.R. 2033 (Mr. Frenzel): To amend accounting procedures under section 313 of the Tariff Act of 1930.

Quantitative Restriction and Prohibition Bills

H.R. 1036 (Mr. Staggers): To prohibit the importation of foreign-made flags of the United States of America.

H.R. 1619 (Mr. Johnson of South Dakota): To amend the Agricultural Act of 1949 to limit the quantity of milk protein products that may be imported into the United States.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments should submit six (6) copies by the close of business, Wednesday, May 31, 1989, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515.

SEE FORMATTING REQUIREMENTS BELOW:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and public during the course of a public hearing, may be submitted in other forms.

H.R. 653

To suspend for a 5-year period the duty on Bendiocarb.

NOR-AM

NOR-AM Chemical Company

3509 Silverside Road
P. O. Box 7495 Wilmington, DE 19803
Telephone: (302) 575-2000
Telex: 335475
Telefax: (302) 575-2013

AIRBORNE

May 17, 1989

Robert J. Leonard, Chief Counsel
Committee on Ways and Means
United States House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Re: H.R.653/S.385 - To Suspend Duty on Bendiocarb for a Five Year Period

Dear Mr. Leonard:

In response to the press release, dated May 3, 1989 of the Subcommittee on Trade of the House Committee on Ways and Means, I am pleased to provide comments strongly in favor of the above legislation. A one-page supplemental statement is also attached.

I. SUMMARY

The proposed Bill, H. R. 653 (and its identical sister bill S. 385) would add a new subheading to the Harmonized Tariff Schedule of the United States to provide a suspension of the column 1 rate of duty imposed on imports of bendiocarb for a 5-year period. As set forth in the Bill, bendiocarb is technically referred to as 2,2,dimethyl-1,3-benzodioxol-4-yl methylcarbamate.

II. THE HISTORY AND BENEFITS OF BENDIOCARB COMPEL PASSAGE OF H.R.653 AS AN EQUITABLE REMEDY REQUIRED BY THESE CIRCUMSTANCES.

1. The History and Background of Bendiocarb Amply Demonstrate Its Benefits

NOR-AM Chemical Company manufactures and distributes a wide range of herbicides, fungicides, plant growth regulants, defoliants, and insecticides in the United States. NOR-AM also exports products made in the United States to overseas markets. Since mid-1975 NOR-AM has successfully marketed and distributed a pest control product with the tradename FICAM® throughout the United States. The active ingredient in FICAM® is bendiocarb.

Before discussing our particular product and why the above legislation is needed to remedy current inequities, it is appropriate to mention NOR-AM's presence in Michigan because it is NOR-AM's Michigan plant which was built as a single-product plant specifically to produce bendiocarb. NOR-AM has safely and continuously operated its Muskegon, Michigan plant since mid-1977. FICAM® was first sold in the United States in 1975 under private label by an exclusive distributor which marketed the product until the Michigan plant was able to commence manufacturing in 1977. Proprietary and patented products derived from bendiocarb are now sold in over 80 countries.

NOR-AM's investment in its Michigan facility represents a financial undertaking of tens of millions of dollars. For each of the years during the 1986-1988 period, for example, the Company pumped between $1,500,000 and $1,700,000 into the local Michigan economy just in salary, wages, and property taxes. These amounts do not include income taxes which would further increase these numbers. In addition, during the 1986-1988 period the Company invested between $2,000,000 and $4,000,000 each year in capital equipment and wages paid to outside contractors for improvements made at the plant - to say nothing of the sizeable eight-digit investment to begin with to build and equip the plant.

Bendiocarb is the active ingredient forming the base of widely used pest control products sold both within and without the United States. In the United States bendiocarb is the active ingredient used in formulating TURCAM®, FICAM® W, FICAM® D and FICAM® PLUS®, all proprietary products of NOR-AM. These products have dozens of uses in turf, ornamental, public health, and pest control markets.

In the pest control market alone, it has been estimated that over 40 million difference structures have been treated with FICAM, protecting them from such pests as cockroaches, spiders, fleas, and scorpions. FICAM® controls 83 different urban pests. These structures include such sensitive areas as hospitals, restaurants, nursing homes and aircraft because of the product's safe and odorless nature. Naturally, it also has a multitude of applications in residences, apartments, and other buildings. It is applied exclusively by certified pest control companies operating independently throughout the United States. It has been estimated that there are currently approximately 11,000 pest control companies throughout the United States who may use FICAM® from time to time.

Overseas, bendiocarb is used in a variety of products. Vector control is only one example. The product has been and continues to be used widely by the World Health Organization for control of diseases such as malaria which are commonly transmitted by mosquitos. A variation of FICAM® (FICAM® ULV) is used for mosquito control where mosquitos are resistant to other materials, protecting urban populations worldwide from diseases such as encephalitis and "Break-Bone" fever.

NOR-AM's Michigan plant is the only worldwide producer of bendiocarb. While our English affiliate is capable of formulating the active ingredient bendiocarb into FICAM® W and FICAM® D, NOR-AM's Muskegon facility is the only facility in the world able to formulate all four products (FICAM® W, FICAM® D, FICAM® PLUS®, and TURCAM®) from bendiocarb.

2. Currently, Bendiocarb is Imported as Finished Product and Duty is Paid Based on Declared Value, Approximately 85% of which Results Exclusively From Manufacturing Done in Michigan.

Historically, the Company has been able to manufacture bendiocarb from start to finish at its Michigan facility. However, due to the unavailability of an essential raw material domestically, the Company has found it necessary over the past several years to manufacture only an intermediate (NC 7312) in Michigan. That intermediate chemical is then shipped to a Taiwanese company for reaction and manufacture under contract into the final product, bendiocarb. Bendiocarb is then imported back to Michigan in drums as a dry powder. It is shipped back to the Company's Michigan facility where it is formulated into TURCAM®, FICAM® W, FICAM® D, and FICAM® PLUS®.

At the time of bendiocarb's entry into the United States from Taiwan, the full gross invoice value (including all assists) must be declared for duty purposes. Approximately 85% of the value declared for duty purposes represents the intermediate manufactured (NC7312) in the United States which was originally shipped to Taiwan for further manufacture. In other words, approximately 85¢ of every $1.00 declared for duty assessment at the time of bendiocarb's entry represents intermediate product produced at our Michigan plant. We are, in essence, paying duty on what is 85% American-made. Each year those duties are in the respectable 6 figures.

3. No Present Provision of the Harmonized Tariff Schedule Allows Any Reduction.

NC7312 is an intermediate product, not an "article of metal." Nor is the intermediate a "fabricated component." NC7312 is not being exported "for repairs or alterations" so that that exception does not apply. Ordinarily, one might suppose that since the bendiocarb which is imported originates in Taiwan, the material would possibly be eligible for reduced duties under the Generalized System of Preferences (GSP). But such is not the case pursuant to a ruling from the U. S. Customs

Service. In any event, products from Taiwan are no longer eligible for GSP treatment pursuant to a recent Executive Order which eliminates Taiwan as a beneficiary country. As a result, full column #1 duty is paid on full declared value of bendiocarb at port of entry.

Exacting this duty on full declared value, 85% of which originates within the United States, effectually penalizes the Company for locating its plant domestically in the United States in the first place. Such could not have been the intended consequence of the current regulations on the Statute on which they are based.

4. Elimination of the Duty on Bendiocarb Would Enhance the Company's Ability to Compete Internationally.

Clearly, burdening a domestic manufacturer by requiring it to pay sizable six-digit duties every year represents a cost in production which must be passed on to the Company's customers. It has already been pointed out that the line of products marketed by the Company and its affiliates which are all based on bendiocarb competes extensively in the international arena. Elimination of these duties clearly reduces the Company's cost of production and therefore strengthens the Company's ability to compete in world markets. Equally important, in addition to strengthening a U.S. manufacturer, the elimination of these duties would also simultaneously strengthen the U.S. economy itself in the promotion of export products and in helping NOR-AM compete in foreign markets.

5. This Legislation is Not Controversial.

To date, no known opposition to H.R. 653 (or its prior twin sister H.R. 2917 in the 100th Congress) has been expressed to our knowledge, either orally or in writing. The equities are overwhelmingly in favor of the elimination of these duties, and no competition exists which would be materially adversely affected. We are also led to believe that the Administration's position on this Bill will support its passage, as was done for similar legislation proposed in the 100th Congress.

III. SUMMARY AND CONCLUSION

For all of the foregoing reasons, it is respectfully submitted that H.R. 653 (S.385) should be passed by Congress and sent to the President at the earliest opportunity. The above legislation is fundamentally fair and consistent with Congress' well-founded intent to promote U.S. manufacturing and secure U.S. jobs. Particularly where the by-product of such legislation will be to (i) enhance international competition,

(ii) eliminate what is essentially a penalty on a U. S. company which generates investments, jobs, and taxes domestically, and (iii) insure the uninterrupted production of a product as much needed and as greatly benefiting the public health both in the United States and around the world as FICAM® we submit that here surely is an opportunity for the constructive expression of that legislative intent.

Respectfully submitted,

Kenneth D. Morris

Kenneth D. Morris
Secretary and General Counsel

KDM:kbm/941

cc: w/enc. Senator William Roth
Ms. Ruth Kurtz
Senator Donald W. Riegle
Congressman Guy Vander`Jagt
Ms. Lauri Harju

H.R. 698

To provide for the temporary suspension of duty on certain magnetic video tape recordings.

STATEMENT
OF
RANK VIDEO SERVICES AMERICA
ON
H.R. 698

As introduced on January 27, 1989, by Congressman Matsui, H.R. 698 would temporarily suspend the duty on imports of pre-recorded video cassettes from January 1, 1988, through December 31, 1992. H.R. 698 is the successor bill to H.R. 1981, which was introduced by Mr. Matsui on April 8, 1987. (Senator Matsunaga introduced a companion bill to H.R. 698, S. 1054, on May 18, 1989). The Ways and Means Subcommittee on Trade marked up H.R. 1981 in 1988 and ordered it reported after making technical amendments to accommodate the Administration's concerns with the bill as originally introduced. However, the 100th Congress adjourned without taking final action on H.R. 1981 and a number of other miscellaneous tariff bills.

Rank Video Services America (Rank) strongly supports passage of H.R. 698 because the bill would correct an anomaly in the Harmonized Tariff Schedule, thereby preventing the imposition of a duty of approximately 39 percent on imports of pre-recorded magnetic video cassettes, and would enable U.S. producers to supplement their existing domestic capacity to meet current demand for these video cassettes. Furthermore, passage of H.R. 698 would rectify recent decisions by the Customs Service that are contrary to case law and prior administrative rulings and have the effect of denying duty-free GSP treatment to certain video cassettes.

Background

1. Business Operations

Rank is an Illinois general partnership that is the successor-in-interest to Bell & Howell/Columbia Pictures Video Services (BHCP), a partnership in which Bell & Howell Company and subsidiaries of The Coca-Cola Company and Gulf + Western Inc. were partners. Rank is a contract duplicator: it obtains master video tapes of programs from program owners, duplicates the programs onto individual video cassettes, packages the cassettes, and sells the cassettes to the program owners. The programs include entertainment, theatrical, self-help, training and industrial programs. Rank currently operates two plants in the United States (Northbrook, Illinois, and Garden Grove, California). Rank also operates a duplicating facility in Mexico through its 49-percent owned subsidiary, Central de Video, S.A. de C.V., a "maquiladora" company located in Mexicali.

Rank's business incorporates three distinct industrial operations: the manufacture of plastic cassette shells; the production of blank cassettes; and the programming of these cassettes. Rank manufactures the bulk of the plastic shells it uses at its plant in Northbrook, Illinois, and at its joint venture facility in Korea; the rest are purchased from outside suppliers. When the shell manufacturing process is completed, the shells are shipped to the various other plants, including the one in Mexico, for production into pre-recorded video cassettes. The shells used in the Mexican facility are either manufactured by Rank in the United States or purchased from U.S. suppliers.

2. Tariff Treatment

Under the Tariff Schedules of the United States (TSUS) pre-recorded video cassettes, that is, "magnetic video tape on which pictures or pictures and sound have been recorded," were classified under TSUS item 724.12, dutiable at 0.2¢ per linear ft. under Column 1 for countries benefiting from Most-Favored-Nation (MFN) treatment; at 1¢ per lin. ft. under Column 2 for imports from non-MFN countries; and also at 0.2¢ per lin. ft. for imports from Less Developed Developing Countries that received the benefits of accelerated staged duty reductions under the Tokyo Round of Trade Agreements. Under the Harmonized Tariff Schedule (HTS) pre-recorded cassettes are classified under subheading 8524.23.10, and the duty is the same, 0.66¢ per lin. meter. The 1989 Column 1 duty-rate of 0.66¢ per lin. meter (0.2¢ per lin. ft.) has been staged down from 0.4¢ per lin. ft. in 1979. Video cassettes are eligible for duty-free treatment under GSP, the U.S.-Israel Free Trade Agreement, and the Caribbean Basin Initiative. Mexico is a designated "Beneficiary Developing Country" (BDC), imports from which may qualify for GSP treatment. In contrast, both motion-picture film (pre-recorded) and newsreels are duty-free.

Under the Nairobi Protocol to the Florence Agreement (Agreement on the Importation of Educational, Scientific and Cultural Materials, 17 UST 1835; TIAS 6129; 131 UNTS 25), as implemented by Pub. L. 89-651 and Pres. Proc. 5021 of February 14, 1983, blank and pre-recorded video cassettes were afforded duty-free entry into the United States from February 14, 1983, through August 11, 1985. Since August 12, 1985, imports from MFN countries have been subject to the regular Column 1 duty rate, unless otherwise eligible for duty-free treatment under other authority. Although Pub. Law 100-418, the Omnibus Trade and Competitiveness Act of 1988, provides for the extension of the Nairobi Protocol, under that authority pre-recorded video cassettes are generally excluded from duty-free treatment if they are imported for commercial use.

As stated above, imports of pre-recorded video cassettes are eligible for duty-free entry from Mexico under the GSP. However, two recent rulings issued to Rank by the U.S. Customs Service (dated May 20, 1986, and reaffirmed on April 20, 1987) would deny GSP status to certain pre-recorded cassettes manufactured in Mexico from non-Mexican origin cassette shells and bulk magnetic media. According to the Customs rulings, the video cassettes failed to satisfy the 35-percent "value-added" requirement prescribed in section 503(b) of the Trade Act of 1974 because the blank video cassettes, before they were programmed with movies, did not constitute articles produced in Mexico. The Customs Service reasoned that the process of making blank video cassettes from non-Mexican origin cassette shells and bulk magnetic media*/ did not "substantially transform" these materials into new articles produced in Mexico, and thus the cost of the shells and magnetic media cannot be counted toward satisfying the 35-percent requirement. Because the Mexicali facility can be utilized now only to make cassettes for the U.S. market that qualify for GSP treatment without regard to the cost of component materials, it is being operated at a mere 25 percent of capacity.

Necessity for the Legislation

1. Correction of Anomalous Tariff Structure

As stated previously, the duty on pre-recorded video cassettes is assessed on the basis of the length of tape contained in the cassette rather than on an *ad valorem* basis. Obviously, the longer the program, the higher the duty, as illustrated in the following chart:

DUTY IMPACT ON PRE-RECORDED
VHS CASSETTES

Tape Length	Entered Value	Column 1 Duty	Ad Valorem Equivalent
30 min./ (61 m.)	$2.39	$0.40	17%
45 min./ (91 m.)	$2.60	$0.60	23%
60 min./(122 m.)	$2.91	$0.80	27%
90 min./(183 m.)	$3.51	$1.20	34%
120 min./(244 m.)	$4.12	$1.60	39%

There are two fundamental flaws with the current tariff structure for video cassettes. First, the duty is extremely high on an *ad valorem* equivalent basis, reaching about 39% for a 120-minute video tape, which is approximately the length of a full-length movie. Duties this high are generally reserved for products from unfriendly countries subject to the Column 2 rates rather than friendly nations receiving MFN treatment. Because the video cassette industry anticipates profits of less than 10% on imports, the extraordinary duty renders operations in friendly countries economically impossible.

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*/ Bulk magnetic media must be imported into Mexico because there is no domestic video tape manufacturing industry in Mexico.

More important, however, is the unintended and disproportionate effect of the duty on pre-recorded video cassettes imported for home use. As a general rule, imports under HTS subheading 8524.23.10 (TSUS item 724.12) consist of two different products, as reflected in the statistical annotations: (1) HTS subheading 8524.23.10.40 ("Magnetic tapes . . . [o]f a width exceeding 6.5 mm . . . [but] not exceeding 16 mm, in cassettes") (TSUSA item 724.1220) covering video cassettes for use in home video cassette recorders (VCRs), which contain 1/2 inch wide tape; and (2) HTS subheading 8524.23.10.80 (TSUSA item 724.1260) ("Other"), covering "master" tapes of foreign television programs and foreign movies for broadcast by U.S. television stations or for duplication in the United States, which are generally one inch wide or larger, and 3/4 inch video cassettes for educational, institutional and industrial use.

Although video tape technology has existed since the early 1960's, only in the last five to six years has video tape been used in the home by consumers, as the price of VCRs has declined significantly. From the early 1960's to the early 1980's, the great bulk of imports were either "master" tapes or 3/4 inch cassettes. Since then, imports of video cassettes for sale or rental to home users (HTS 8524.23.10.40) (TSUSA 724.1220) have increased as demand has grown, while imports for television broadcast, other commercial or educational display, and duplication have remained fairly constant. The dramatic increase in imports of video cassettes for home use is illustrated below:

IMPORTS OF PRE-RECORDED MAGNETIC VIDEO TAPE

Description	Quantity (units)				
TSUSA	1984	1985	1986	1987	1988
724.1220 (cassettes 5/8" and under)	192,997	655,217	1,028.210	1,642,198	2,135,184

Source: USITC data

The tariff rate of 0.66¢ per linear meter for all imports under HTS 8524.23.10 represents a glaring anomaly in the Harmonized Tariff Schedule, since the same tariff burden is imposed on products with vastly different economic values. The value of a "master" tape of a television program ranges between about $10,000 and $1,000,000, depending on the program's popularity, and averages roughly $50,000; the duty on such a "master" tape would be about $12.00, or 0.024 percent ad valorem for the average 2-hour "master" tape. In contrast, a video tape of the same program imported for use in a home VCR is worth less than $5, but is subject to a duty of $1.60, almost 40 percent ad valorem. If the tariff burden on video cassettes imported for home use were made proportionate to the tariff burden on "master" tapes on an ad valorem basis, the duty on video cassettes for home use would be virtually zero. The explanation for this differential, of course, is that video cassettes for home usage were not items of trade until recently and were duty-free under the Nairobi Protocol until late 1985. Thus, there has been no opportunity for Congress to take corrective action.

2. Need for Additional Sources of Supply

Rank, in conjunction with its Mexican partners, opened the Mexicali facility in 1985 to develop an additional source of supply for what it correctly perceived to be an expanding market for pre-recorded video cassettes for use in home VCRs. Over $10 million was invested in plant and equipment in Mexicali. The Central de Video "maquiladora" facility was chosen in part because of its proximity to technical trade schools that provide the training essential to the performance of many of the technical operations involved in the production of video cassettes. The plant was also located in Mexicali because the facility could produce both VHS-format cassettes for the U.S. market as well as Beta-format cassettes for the Mexican market.

Over the past several years the U.S. market has experienced significantly increased demand for pre-recorded video cassettes for home display and a shortfall in domestic capacity. In fact, demand has increased by 50 percent in the last few years. For example, before 1987, sales of 350,000-400,000 cassettes of a particular title were regarded as extraordinary. In 1987, however, over 3 million copies of a single title, "Top Gun," were sold. "Cinderella" has sold 8 million copies, and since its release in 1988, over 15 million copies of "E.T." have been sold so far. Demand for all titles is expected to remain strong throughout the next few years, although without perhaps the dramatic increases of previous years because over 65 percent of U.S. households have already purchased VCRs.

Rank does not have the capacity at its two existing U.S. facilities to meet current and anticipated demand over the next few years. Moreover, Rank cannot turn to other facilities located in the United States because duplicators must utilize their own plants to ensure that quality control standards and production and delivery schedules are met. Therefore, it is essential that Rank be able to operate the Mexicali facility at full capacity as soon as possible. As pointed out above, however, Rank will not be able to utilize the Mexicali facility to meet the demand for full-length movies if the high tariff burden is continued. Unless the duty is suspended, Rank will have no alternative but to terminate its Mexican operations. The result will be that Rank will be unable to produce enough pre-recorded video cassettes to meet the rising demand for the product.

3. Correction of Inequitable Rulings Denying GSP Treatment

As explained above, the Customs Service recently ruled that certain pre-recorded cassettes imported from Mexico may not be eligible for GSP treatment unless direct processing costs alone meet the 35-percent threshold prescribed in the GSP statute. Rank believes that the rulings are incorrect. The cost of cassette shells and bulk magnetic media imported into Mexico should count toward satisfying the 35-percent requirement because those materials are "substantially transformed" into blank cassettes in Mexico before they are used to make pre-recorded cassettes.*/ The Customs Service's determination that the production of blank cassettes does not constitute a "substantial transformation" runs counter to a long line of judicial authorities and even Customs' prior administrative rulings. See unpublished ruling dated June 16, 1980, CLA-2:RRUCSC (063646) (bulk recording tape that was cut and wound onto pancakes was substantially transformed for GSP purposes); unpublished ruling dated June 30, 1980, CLA-2:RRUCSC (061909) (tape that was cut and spliced into pre-leadered pancakes and then wound onto cassette hubs was substantially transformed into a new and different article). See also Torrington Co. v. United States, 764 F.2d 1563 (Fed. Cir. 1985) (wire that was processed into needle swages and then into finished needles underwent two substantial transformations for GSP purposes); Belcrest Linens v. United States, 741 F.2d 1368 (Fed. Cir. 1984) (pillowcases made from pre-embroidered bolts of fabric were substantially transformed); Texas Instruments, Inc. v. United States, 681 F.2d 778 (Fed. Cir. 1982) (assembly of integrated circuits and photodiodes constituted substantial transformation for GSP purposes); Diamond Match Co. v. United States, 49 CCPA 52, C.A.D. 796 (1962) (inserting wooden stick into ice cream changes name, character and use of stick, i.e., would qualify as a substantial transformation); Cardinal Glove Co. v. United States, 4 CIT 41 (1982) (sewing together glove panels constitutes substantial transformation); Grafton Spools Ltd. v. United States, 45 Cust. Ct. 16, C.D. 2190 (1960) (winding ribbon onto empty typewriter ribbon spools resulted in change of name, character and use of the spools, i.e., would constitute a substantial transformation).

The duty suspension provided in H.R. 698 would cure the inequitable result produced by the Customs Service rulings on the GSP treatment of video cassettes.

H.R. 698 and H.R. 1981

The Administration initially opposed the predecessor bill to H.R. 698 which was introduced in the House in 1987 by Congressman Matsui, H.R. 1981, because the Administration did not want the legislation to benefit any of the countries that were not cooperating with the United States in the Nairobi Protocol negotiations.

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*/ It is undisputed that programming the blank cassettes with movies constitutes a "substantial transformation." Thus, the manufacture of blank cassettes from shells and magnetic media followed by the programming of the blank cassettes should satisfy the "dual substantial transformation" standard applied in determining GSP eligibility.

At its mark-up on July 7, 1988, the Ways and Means Trade Subcommittee amended H.R. 1981 by adopting language that would limit the duty-free treatment of imports of pre-recorded video cassettes under the temporary legislation to those cassettes manufactured using U.S.-origin shells and valued at not over $7.00 per pre-recorded cassette.

The Subcommittee added the two restrictions requiring U.S.-origin shells and valuation of $7.00 and below in order to accommodate the Administration's objections to the bill, and to narrow the scope of the bill as much as possible. Using a maximum dollar threshold of $7.00 per unit for duty-free treatment and coupling this with a requirement to use U.S.-origin shells would satisfy the Administration's concerns about benefiting countries that are not working with the United States in the Nairobi Protocol negotiations to remove tariff and other barriers to U.S. exports of audio-visual materials. It is Rank's understanding that the Trade Subcommittee's action on H.R. 1981 satisfied the Administration's concerns, and that the Administration will not object to H.R. 698 on this basis, because it reflects the changes made by the Subcommittee in 1988.

Conclusion

For the reasons set forth above, Rank respectfully urges the Subcommittee to act favorably on H.R. 698 and to suspend, on a temporary basis, the duty on pre-recorded magnetic video tape imported for home use. Of course, if significant tariff concessions can be obtained from our trading partners, Congress should consider making the suspension permanent to eliminate the tariff anomaly and the onerous tariff burden on video cassettes imported for home use.

H.R. 731

To provide for the temporary suspension of duty on tamoxifen citrate for a 3-year period.

ICI Americas Inc.
Government Relations
1600 M Street N.W.
Suite 702
Washington, D.C. 20036
Telephone (202) 775-9722
Telex 4979301 (ICI WASH)
Fax (202) 775-9718

May 31, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

ICI Americas, Inc., a Delaware Corporation, supports H.R. 731, introduced by Congressman Frank Guarini, which would suspend temporarily the import duty on tamoxifen citrate for a three year period.

We market this product under the brand name NOLVADEX. In addition we provide this drug free of charge to poor women in need. Ever since NOLVADEX has been on the market, our policy has been that no woman who requires it should be denied therapy.

A duty suspension would reduce our costs of making this unique drug available to the market and would allow us to expand our Patient Assistance Program.

Sincerely,

Sandra E. Taylor

Sandra E. Taylor
Government Relations Specialist

DUTY SUSPENSION FOR NOLVADEX

Congressman Frank Guarini has introduced a bill, H.R. 731, which would temporarily suspend the duty on imports of tamoxifen citrate, which ICI Americas Inc. markets under the brand name NOLVADEX. This bill would reduce the import duty from 6.9 percent to zero.

Helping patients

NOLVADEX is used for the treatment of breast cancer and, according to the National Institutes of Health Consensus Statement, is the drug of choice in treatment of stage II postmenopausal breast cancer. There is no comparable drug manufactured in the United States. Since the drug must be imported, a duty suspension would lower our costs making it possible to pass this savings on to consumers and to expand out Patient Assistance Program.

Ever since NOLVADEX has been on the market, Stuart Pharmaceuticals (a division of ICI Americas Inc.) has held the policy that no woman who requires the drug should be denied therapy because of financial need. Through Stuart's Patient Assistance Program, we have helped patients save more than $9 million in direct costs for the drug. Stuart is putting funds back "into the system" through a charitable Patient Assistance Program, through patient and physical education programs, and by heavily supporting both clinical and basic research. In 1988 alone we gave away $4 million worth of this drug to poor women.

Additionally, Stuart has provided consistent support to numerous education programs, both for patients and physicians, including the National Alliance of Breast Cancer Organizations and the Breast Cancer Advisory Center, as well as strong support for Breast Cancer Awareness Week, which was coordinated with the American Academy of Family Physicians and the YWCAs in the United States in 1987.

Finally, Stuart is supporting the American Society of Clinical Oncology's Young Investigator Awards wherein substantial seed money is provided to young investigators who are undertaking innovative oncologic research. These awards are given out by the American Society of Clinical Oncology based upon the merits of the grant application.

By sponsoring such research and expanding their knowledge base concerning the physiology of breast cancer treatment, experts at Stuart are able to more fully develop the applications of this important anticancer agent as well as develop new innovative and safe therapies for the treatment of a variety of malignancies.

A recent Wall Street Journal article (attached) reiterates the unique benefits of NOLVADEX in treating breast cancer patients.

Competing Products

There is no competing or substitute drug manufactured in the United States. While there are other drugs prescribed for breast cancer patients, none of these drugs really compete with each other, i.e., could be substituted for each other. Indications are different for different patients and different therapies.

In 1987 there were 130,900 newly diagnosed cases of breast cancer. Nearly half are Stage I (lymph nodes negative for cancer) with a very good prognosis. There is no recommended therapy, at this time, for this group following surgery. Twenty-five percent are Stage II postmenopausal patients (lymph nodes under the arm are cancerous). This group of women has a high risk for recurrence and subsequent death due to breast cancer. As NOLVADEX is the only recommended therapy for this major segment of the breast cancer population, we are not in competition with any other form of therapy for this group, nor has any other hormonal agent been tested among these women.

WALL STREET JOURNAL
NEW YORK, NY
—D. 796 454—
NEW YORK CITY METROPOLITAN AREA

JAN 3 1989

Older Women With Early Breast Cancer Benefit From Tamoxifen, Analysis Finds

By JERRY E. BISHOP
Staff Reporter of THE WALL STREET JOURNAL

An "overview" analysis of 68 trials of chemotherapy in women with early breast cancer found that older women clearly benefit from the drug tamoxifen, while younger women clearly benefit from treatment with a combination of other drugs.

The new analysis by an international committee added up and statistically evaluated the survival rates among nearly 29,000 women who had been treated with anticancer drugs following surgery for breast cancer. The women were in the early stages of breast cancer when the cancer was either confined to the breast or had spread only to nearby lymph glands. The benefits of chemotherapy in more advanced stages of breast cancer are established, but the use of drugs in early breast cancer has been controversial.

The committee cautioned that because its findings are primarily a statistical analysis of many different clinical trials, they aren't recommendations for treating breast cancer patients. "Trial results [or overviews of them] provide information, not instructions," the group said in a report in last week's New England Journal of Medicine. Doctors, however, should be aware of such results "in order that they may bear them in mind when recommending treatments," the committee said.

In the case of its analysis, the committee added, doctors should be aware that the trials show there is a difference in the drugs that benefit older women and those that benefit younger women.

A Controversial 'Alert'

The analysis bolsters a controversial "alert" issued last May by the federal National Cancer Institute. The alert said that results of three U.S. clinical trials, which at that time still hadn't been published, showed that women with early-stage breast cancer had higher cancer-free survival rates when they were treated with anti-cancer drugs after surgery than women who didn't receive such chemotherapy. As a result, the NCI said, it wouldn't any longer fund new trials of breast cancer treatments that included a "control" group of patients who didn't receive chemotherapy.

Up to the time of the NCI alert, many American physicians, unlike those in Britain and Europe, weren't ordinarily using chemotherapy in early-stage breast cancer, believing that it wasn't necessary if it was clear that surgery had completely removed the tumor. Publicity following the NCI alert led many women to rush back to their surgeons, alarmed over the fact they hadn't received chemotherapy after surgery. This, in turn, triggered a barrage of criticism of the NCI for issuing the alert rather than waiting for the clinical trials to be published and allowing doctors to draw their own conclusions.

The new analysis generally supports the NCI's position on using chemotherapy in early-stage breast cancer. The Early Breast Cancer Trialists' Collaborative Group, as the international committee calls itself, collected the statistical results of 66 different clinical trials in which various forms of chemotherapy were compared with each other or with no chemotherapy. Statisticians then calculated whether, overall, the number of women alive up to five years after surgery was more or less than expected.

The analysis took a special look at the benefits of the drug tamoxifen, sold worldwide under the brand name Nolvadex by the big British drug and chemical company Imperial Chemical Industries. Tamoxifen is designed to block the effects of estrogen, the female sex hormone, on tumor growth. Its use in breast cancer has been a matter of trans-Atlantic debate. In Britain, the drug is widely used on almost all breast cancer patients, while in the U.S. the tendency has been to use it only in breast cancers that are stimulated by estrogen.

Mainly Older Women

The analysis found that overall there were 16% fewer deaths than expected among women treated with tamoxifen, give or take three percentage points. But this benefit seemed concentrated in women over age 50. Breast cancer is most common among this post-menopausal age group.

Among the older women, tamoxifen treatment lowered the death rate by 20% overall. The odds of dying of breast cancer after two or more years were reduced 23% following tamoxifen treatment.

Among younger women, those under age 50, there wasn't any statistical evidence of a benefit from tamoxifen treatment, but the number of young women treated with the drug was quite small. The few trials of tamoxifen in the younger age group showed results "ranging from a 17% adverse effect to a 13% benefit," the group said.

The younger women, however, did clearly benefit from other anti-cancer drugs. "Among those under 50, the reduction in the annual odds of death was 22%," plus or minus six percentage points, the group said. The group, however, couldn't find any statistical evidence that these same chemotherapies reduced the death rates in older women.

The chemotherapy that seemed most effective in the younger women was that which included at least three widely used anticancer drugs, cyclophosphamide, methotrexate and fluorouracil, or CMF therapy.

The overview "has established beyond reasonable doubt that both tamoxifen and cytotoxic [cell-killing] chemotherapy can reduce five-year mortality," the committee declared flatly.

The committee, based in Oxford, England, consists of breast cancer specialists from a number of countries, including the U.S., and is supported by a variety of British and American cancer agencies.

H.R. 732

To temporarily suspend the duty on methyl and ethyl parathion.

No statements submitted.

H.R. 767

To provide duty-free treatment for three-dimensional cameras.

STATEMENT BY REP. JAMES H. BILBRAY
SUBCOMMITTEE ON TRADE
HOUSE WAYS & MEANS COMMITTEE

Mr. Chairman, I appreciate you giving me the opportunity to address a bill I introduced, H.R. 767, a bill providing for duty-free treatment for three-dimensional cameras.

As you know, H.R. 3626, a similar measure which I introduced during the 100th Congress, was approved by the Committee. However, due to the revenue situation last year, the legislation was not included as part of The Technical Correction Act of 1988.

Mr, Chairman, H.R. 767 was introduced on behalf of the Nissei Corporation, a Nevada corporation with its offices and plant in my district in Henderson, Nevada, a suburb of Las Vegas. I sponsored this bill because I am convinced that if enacted, it will permit Nissei Corporation to make sufficient sales of 3-D cameras in the United States so as to generate substantial jobs in Henderson, Nevada in the processing and printing operations which are an integral part -- in fact the most important part -- of Nissei's business.

The "Nishika" 3-D camera is a unique product using four lenses to produce four half-frame images on a double-width section of standard millimeter film which, is processed in such a way as to produce a 3-dimensional effect. While the camera itself is unusual, it is the processing which is truly unique, as well as being the portion of Nissei's operations which will produce not only substantial employment in my District but revenues for Nissei. Although it is something of an overstatement, in a sense, the Nissei camera is analogous to the razor which is sold at a very low price so that the manufacturing company can sell blades. If sufficient cameras can be placed in circulation, a result which is possible if the price is kept low, Nissei expects to sell substantial quantities of film processing to make the unique 3-D prints which come from the cameras.

It is processing itself which seems most remarkable in my view, and I describe it herein in part because it is a totally American operation. The complicated computer-driven printers that take the four separate frames and align them properly for 3-D pictures are designed and built in another Nissei facility in Atlanta, Georgia. The chemicals and most of the processing materials are produced in the United States, by companies such as 3M.

In short, let me reiterate that I hope that the Committee will understand that while the cameras themselves are important, this is primarily an American operation creating American jobs, not only in the marketing of cameras but in the all-important processing and printing of the film and manufacture of equipment used in that processing.

This bill is also somewhat unique in the sense that despite the benefits it will create for my District in terms of a constituent company and its employees, there seems to be little, if any down-side risk for the United States. No 3-D cameras are made in the United States and none is contemplated in the future, in part because Nissei now controls the necessary patents and technology. While the volume of imports will be significant for a company like Nissei, both the import volume and the duties are completely insignificant in the overall U.S. balance of payment context. Moreover, importation is from Hong Kong, a nation which is almost unique in the openness of its market to U.S. goods and services.

Recently, the Department of Commerce has raised some concerns over H.R. 767 and I have addressed them with a letter to Chairman Gibbons which I would appreciate be included in my statement.

Under these circumstances, I respectfully urge my colleagues to approve H.R. 767.

JAMES H. BILBRAY
1st District, Nevada

COMMITTEE ON
ARMED SERVICES

COMMITTEE ON
SMALL BUSINESS

SELECT COMMITTEE
ON AGING

Congreſs of the United States
House of Representatives
Washington, DC 20515

319 Cannon House Office Building
Washington, DC 20515
(202) 225-5965

DISTRICT OFFICE:
1701 W. Charleston, Suite 300
Las Vegas, NV 89102
(702) 477-7000

April 27, 1989

Hon. Sam Gibbons
Chairman
Subcommittee on Trade
House Ways & Means Committee
U.S. House of Representatives
Washington, D.C. 20515

Re: H.R. 767 and Companion Bill S. 323

Dear Mr. Chairman:

This is to confirm that I have no objections to the Department of Commerce's suggestion that duty-free treatment of cameras capable of producing a three-dimensional effect be entered under chapter 99 of the Harmonized System, thereby making the duty-free treatment of this product a temporary rate provision rather than a permanent one. (The bill was previously introduced in the 100th Congress as a temporary rate provision.)

Mr. Dave Beck of the International Trade Commission, Office of Tariff Affairs and Trade Agreements has recommended that the new entry be described as follows:

9902.90.06	Cameras capable of producing a three-dimensional effect (provided for in subheading 9006.53.00)	Free	20%

I also concur in this recommendation. I appreciate your consideration of my views on this issue of importance to the State of Nevada.

Sincerely,

James H. Bilbray

James H. Bilbray
Member of Congress

cc: Ms. Barbara Steinbach
Leg. Coordinator for Trade Dev.
Office of Industrial Trade
U.S. Department of Commerce, Rm. 2800A
Washington, D.C. 20230

JAMES H. BILBRAY
1ST DISTRICT, NEVADA

COMMITTEE ON
ARMED SERVICES

COMMITTEE ON
SMALL BUSINESS

SELECT COMMITTEE
ON AGING

Congress of the United States
House of Representatives
Washington, DC 20515

319 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-5965

DISTRICT OFFICE
1701 W. CHARLESTON, SUITE 300
LAS VEGAS, NV 89102
(702) 477-7000

June 13, 1989

RECEIVED
JUN 15 1989
SUBCOMMITTEE ON TRADE

Hon. Sam Gibbons
Chairman
Subcommittee on Trade
House Ways & Means Committee
U.S. House of Representatives
Washington, D.C. 20515

Re: H.R. 767 and Companion Bill S. 323

Dear Mr. Chairman:

This is to confirm that I have no objections to the United States Customs Service's suggestion that H.R. 767 and S. 323 be revised to provide a more detailed description of cameras capable of producing a three-dimensional effect. These bills request duty-free treatment of the cameras.

Customs has recommended the new entry be described as follows:

9902.90.06	Cameras incorporating four fixed lenses which together are capable of producing a three-dimensional effect (provided for in subheading 9006.53.00)	Free	20%

I also concur in this recommendation. I appreciate your consideration of my views on this issue of importance to the State of Nevada.

Sincerely,

James H Bilbray

James H. Bilbray
Member of Congress

JHB:mt

H.R. 912

For the relief of the State of Florida.

May 31, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth HOB
Washington, D.C. 20515

Dear Mr. Leonard:

This is in response to the Subcommittee on Trade, Committee on Ways and Means, request for written comments on H.R. 912; a bill providing tariff relief for the State of Florida. The following comments are intended for inclusion in the record.

The State of Florida strongly supports H.R. 912, which permits the duty-free entry of bi-level rail passenger cars for a new commuter rail service in southeast Florida. The commuter rail recently began service concurrently with a major reconstruction of Interstate 95 (I-95). The highway reconstruction, expected to take several years to complete, will create significant traffic congestion in an already heavily-utilized, highly urbanized transportation corridor. The new commuter rail service is one of several measures the State of Florida, Department of Transportation, has implemented to mitigate the impact of the highway reconstruction project on southeast Florida commuters.

The commuter rail service is operating on an existing rail corridor which parallels I-95. Rail freight and AMTRAK intercity passenger rail service already use the corridor. Thus, the commuter rail service represents a third major use of the rail corridor.

The rail corridor contains only a single-track rail line, complicating interface of freight, intercity and commuter rail services. Consequently, the Florida Department of Transportation sought high capacity, bi-level rail passenger cars for the commuter rail service to reduce train lengths and facilitate interface with other rail services and highway traffic as the corridor is crossed by many at-grade highway/rail intersections. The only rail equipment which met these unique specifications are manufactured by a Canadian firm, Urban Transportation Development Corporation, Ltd. Comparable rail cars are not available from any source of supply in the United States.

H.R. 912, which the State of Florida requested to be introduced in the House of Representatives, provides the State with relief from an 18% (approximately) import tariff. It is consistent with the general movement of tariff reduction between the United States and Canada, and will result in a significant cost savings to the State of Florida. Therefore, on behalf of the State of Florida, I request favorable consideration of H.R. 912 by the Subcommittee on Trade.

Should you need any additional information, please do not hesitate to contact me (904/488-5704).

Sincerely,

Nick Serianni
Director
Office of Public Transportation

Minnesota Association of Railroad Passengers
Post Office Box 375 Minneapolis MN 55440-0375

May 16, 1989

COMMITTEE ON WAYS AND MEANS
RECEIVED
MAY 23 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
U. S. House of Representatives
Room 1102, Longworth House Office Building
Washington, D.C. 20515

Re: HR 912

Dear Mr. Leonard:

We urge favorable action on HR 912, providing tariff relief to the State of Florida for its acquisition of bilevel rail commuter cars from Canada.

We believe the federal government should encourage and facilitate, not penalize, state initiative as seen in Florida's state-funded rail commuter project. HR 912 will accomplish that purpose.

Passage of HR 912 will:

- Serve a strong public interest reflected by the request for this help by Florida D.O.T.
- Be an act of good faith by the U. S. in implementing the recent trade treaty with Canada, our most important trading partner.
- Have no adverse impact on U. S. jobs or businesses (there are no surviving U. S. rail passenger vehicle manufacturers).

The Minnesota Association of Railroad Passengers is devoted to the improvement of passenger train service in Minnesota. MinnARP is not affiliated with Amtrak, any other agency or organization. Dues are $5.00 per year. Additional contributions are needed and welcomed. Make checks payable to MinnARP and send to the above address.

HR 912 in fact will help protect the jobs of those employees working for the Florida commuter program.

- Encourage other states to pursue state-funded public transportation projects, with significantly beneficial impact on employment, economic growth and alleviation of pollution and congestion.
- Preserve a North American railcar competitor to the many Japanese and European manufacturers.

Respectfully submitted,

MINNESOTA ASSOCIATION OF
RAILROAD PASSENGERS

Andrew C Selden

Andrew C. Selden,
President

ACS:ph
cc: Minnesota Delegation

URPA

United Rail Passenger Alliance, Inc.

Almost Anything Is Possible In A Train ...
Paul Theroux

Western Regional Office
P.O. Box 2336
Oceanside, California 92054
(619) 757-3809

Mailing Address
P.O. Box 41045
Jacksonville, Florida 32203
(904) 388-4441

VIA FEDERAL EXPRESS

Mr. Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
U. S. House of Representatives
Room 1102, Longworth House Office Building

May 30, 1989

Re: HR 912

Dear Mr. Leonard:

The United Rail Passenger Alliance, a national 'think tank' addressing railroad passenger train and related railroad issues, urges favorable action on HR 912. We believe it is of the utmost importance to provide tariff relief to the State of Florida for its acquisition of bi level rail cars from Canada. The cars are purchased from one of only two soley North American rail passenger car manufacturers, both of which use extensive United States made components.

The federal government has encouraged states and localities to undertake modern transportation system development with little or no federal funding participation. But, the federal government needs to be consistent in its efforts to permnit such local initiatives to be successful. Accordingly, we believe HR 912 represents an opportunity for the federal government to encourage and facilitate a successful state initiative. Failing to provide the relief requested will only serve to penalize the Florida effort, and to discourage others from undertaking similar productive rail transportation initiatives.

Adoption of HR 912 will:

- o Provide a public service in support of the requests from the Florida Department of Transportation.
- o Effectively serve as an article of 'good faith' between the United States and Canada as we together move forward in the process of implementing the recent free trade treaty.
- o Have no adverse impacts on domestic manufacturing, jobs, businesses or growth opportunities. Indeed, the very opposite is more likely to happen - there will be more work for both United States and Canadian citizens if the costs of the passenger cars in question can be reduced by the tariff amounts currently charged.

America's Foremost Railroad Passenger Organization

- o There are pending equipment acquisitions in California as well as elsewhere that can benefit from HR 912. Those decisions can be dramatically impacted by removal of tariff charges between our two countries, causing the procurment process to be more favorable to North American interests as opposed to off-shore interests however denominated.

- o Assist in preservation of a North American rail-car competitor to the numerouse Japanese and European manufacturers, especially since those interests are virtually a state orchestrated venture in both cases, utilizing fully integrated design, manufacturing and distribution systems that limit the ability of small business sub-contractors to participate in procurments. That is not the case for the bi level car manufacturer (UTDC) or the other firm.

Thank you for your consideration in this important matter.

Respectfully submitted,

UNITED RAIL PASSENGER ALLIANCE

Byron A. Nordberg
Vice President
Governmental Relations

BAN:lom

cc: Florida Delegation
California Delegation

H.R. 914

To suspend temporarily the duty on calcium acetylsalicylate (calcium carbasprin).

LAWRENCE J. SMITH
16TH DISTRICT, FLORIDA

COMMITTEE ON FOREIGN AFFAIRS
CHAIRMAN, TASK FORCE ON INTERNATIONAL NARCOTICS CONTROL
EUROPE AND THE MIDDLE EAST
INTERNATIONAL OPERATIONS
COMMITTEE ON JUDICIARY
CRIME
MONOPOLIES AND COMMERCIAL LAW
SELECT COMMITTEE ON NARCOTICS ABUSE AND CONTROL
DEMOCRATIC ZONE WHIP

Congress of the United States
House of Representatives
Washington, DC 20515

☐ 113 CANNON BUILDING
WASHINGTON, DC 20515
(202) 225-7931

DISTRICT OFFICE:
☐ 4747 HOLLYWOOD BLVD.
HOLLYWOOD, FL 33021
(305) 987-6484 BROWARD
(305) 624-6111 DADE

May 26, 1989

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
Ways and Means Committee
1111 Longworth H.O.B.
Washington, D.C. 20515

RE: H.R. 914

Dear Sam:

In response to your request for comments on the miscellaneous tariff bills within the Subcommittee's jurisdiction, I would like to add a few words in support of the bill (H.R. 914) that I introduced.

An analgesic product in powder form which contains calcium carbaspirin (the product mentioned in H.R. 914) has been formulated. I understand that this compound has been approved for use by the FDA but is commercially unavailable in the United States. The only source of supply for Calcium Carbaspirin is A.C.F., Chemie in Holland.

Although similar to regular aspirin, Calcium Carbaspirin differs in that it is soluble. The major benefit of Calcium Carbaspirin for consumers is that it works faster and causes less stomach irritation. Since Calcium Carbaspirin is soluble in water and regular aspirin is not, this new analgesic product offers a benefit for those people who are unable to swallow pills.

If you have any questions on H.R. 914, please do not hesitate to contact me.

With best wishes, I am

Very truly yours,

Larry

LAWRENCE J. SMITH
Member of Congress

H.R. 924

For the relief of Tube Forgings of America.

No statements submitted.

H.R. 943

To reduce temporarily the column 2 rate of duty on impact line printers.

STATEMENT OF CONTROL DATA CORPORATION IN SUPPORT OF H.R. 943

Control Data Corporation, headquartered in Minneapolis, Minnesota, provides computer products and services to scientific, engineering and business markets worldwide. Control Data is the minority partner (45%) in a joint venture with a Romanian electronics company for the manufacture and export of computer peripheral equipment. Control Data Supports passage of HR 943, a bill relating to the temporary tariff treatment of impact line printers.

Background

In 1973, with the support of the U.S. government, Control Data became the minority partner (45%) in a 20-year joint venture manufacturing agreement with a Romanian electronics company for the manufacture of computer peripheral products that could not be competitively manufactured in the U.S. While most of the products are "mature" and destined for European markets, the granting of Most Favored Nation trading status to Romania in 1975 made it economically feasible and competitively practical to export a limited product line to the United States. Until March 1987, when the U.S. government revoked Generalized System of Preferences (GSP) privileges, Romanian products entered the U.S. duty free; loss of GSP meant that Romanian products would be charged the column 1 MFN tariffs. When MFN status ceased on July 3, 1988, tariffs on the imported printers were charged at the column 2 rates.

In the first 15 years, a variety of computer peripheral products have been produced by the joint venture including drum printers, card readers, disk drives, tape drives, matrix printers and impact line printers. For a number of reasons, including stringent controls on export of U.S. technology, only four products are currently produced by the joint venture. With one exception, the relatively low level of technology in these products limits their marketability to the non-market economies of Eastern Europe. The exception is impact line printers which are exported to U.S. customers in small quantities.

Product Description

Impact line printers, also known as band printers, are high speed printers that are attached to mainframe computers or mini-computers that print entire lines of characters at a time. Print speeds range from approximately 100 lines per minute up to several thousand lines per minute. Impact line printers are generally sold on an OEM (Original Equipment Manufacturer) basis to computer manufacturers who include then as part of a complete computer system. Impact line printers are imported as "printer units, other " under Harmonized Tariff Schedule 8471.92.65. The impact line printers exported by the joint venture to the United States operate at a maximum speed of 2000 lines per minute.

Current Benefits

To date, this has been a successful joint venture; hard currency generated from printers exported to the United States is used to buy U.S.-made parts for the manufacture of mature computer peripheral products that are marketed to Eastern Europe customers. However, since MFN status for Romania expired on July 3, 1988, U.S. printer customers have declined to place orders for additional printers because the additional duties has prevented competitive pricing of these products.

Historically, Control Data, its customers and suppliers have benefited from this joint venture. For all the products manufactured, a large percentage of the parts are made in the United States. The parts and services provided to the joint venture generates jobs and revenue to Control Data and its U.S. suppliers. Additionally the "hard currency" generated by the sale of impact line printers to U.S. customers is used to pay for the parts used in other products made by the joint venture that are marketed in Eastern Europe.

Competitive Impact

Since tariffs on impact line printers have risen to 35%, the U.S. customers have has paid increased tariffs (approximately $1400 per unit on the non-U.S. content). The increased costs to U.S. customers have virtually eliminated any future business, and Far East suppliers have been the primary beneficiaries. If the joint venture is unable to offer a competitively priced product soon, Control Data would be forced to terminate prematurely its joint venture agreements, resulting in a substantial monetary loss, estimated to be in excess of $3 million.

Conclusion

The effect of HR 943 would be to permit the joint venture to fulfill contractual obligations which were in effect before Romania lost Most Favored Nation trading status, and thus continue to pay column 1 tariff rates of 3.75% ad valorem. Without this legislation tariffs remain at the column 2 rates of 35%. This would not be a competitive advantage for the joint venture; rather it would continue the status quo and preserve parity among other exporters, mainly from the Far East, of impact line printers. Only exports to the U.S. from countries not granted non-discriminatory Most Favored Nation status pay column 2 rates.

For these reasons, Control Data strongly supports HR 943 and urges its passage by the Committee.

GENICOM
GENICOM CORPORATION
GENICOM DRIVE, WAYNESBORO, VA 22980-1999
PHONE 703-949-1000 · TELEX II 710-830-0407

May 12, 1989

Mr. Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U. S. House of Representatives
Room 1102, Longworth House Office Building
Washington, D.C. 20515

RE: H. R. 943
Relating to temporarily reducing the column 2 rate of duty on impact line printers

Dear Mr. Leonard:

As one of the largest independent manufacturers of computer-related printers in the United States, I am writing to express the support of GENICOM Corporation for H. R. 943.

Headquartered in Waynesboro, Virginia with additional manufacturing operations in Hudson, New Hampshire and sales and service offices throughout the United States, Canada, Europe and Australia, we employ over 3,800 people and had annual sales of $291 M for 1988.

Our ability to achieve continued growth in a highly competitive worldwide market is in large part dependent on our ability to conduct long-range strategic planning and to enter into worldwide contractual agreements with the confidence that we can maintain our cost and profit objectives. The purpose of H.R. 943 is to temporarily reduce the column 2 rate of duty on impact line printers.

The U.S. printer market has been targeted for penetration by Far East producers who receive both tax incentives and tariff protection from their government.

Passage of H.R. 943 will support American manufacturers in maintaining cost structures that will allow them to be more competitive in both U.S. and overseas markets.

GENICOM respectfully requests the support of the House Subcommittee on Trade, Committee on Ways and Means for H.R. 943.

Sincerely,

Curtis W. Powell
President & Chief Executive Officer

CWP: jlc

H.R. 944

To extend until January 1, 1994, the existing suspension of duty on certain wools.

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20510

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 10 dated May 3, 1989. The American Textile Manufacturers Institute (ATMI) represents members which account for over 80 percent of all U.S. textile production.

ATMI supports H.R. 944, which would extend until January 1, 1994, the existing suspension of duty on certain wools.

The United States does not produce wools not finer than 46's in commercial quantities. These wool fibers, because of their loft and resilience, are used extensively by the textile industry, however. They are used in carpets, blankets, hosiery, upholstery, industrial felts, coatings, knitting yarns and certain fabrics.

Wools not finer than 46's have been allowed to be imported into the U.S. duty-free for a number of years. However, the law that permits duty-free entry expired June 30, 1985. H.R. 944, which was introduced by Rep. Frenzel on February 9, would permanently suspend duties for wools not finer than 46's.

The American Textile Manufacturers Institute supports H.R. 944 because it would benefit all concerned and yet injure no segment of our economy.

Sincerely,

Carlos Moore
Carlos Moore
Executive Vice President

CM\vab

CRAFTED WITH PRIDE IN U.S.A.
Tel: 202/862-0500 Fax: 202/862-0570 Twx:710-822-9489

H.R. 1001

To clarify that charges and fees may be collected in connection with foreign trade zones at certain small airports.

PORT OF MOSES LAKE

Grant County Airport
Terminal Building
Moses Lake, WA, USA 98837
PHONE 509-762-5363

9 June 1989

Mr. Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U.S. HOUSE OF REPRESENTATIVES
Room 1102
Longworth House Office Building
Washington D.C. 20515

RE: H.R. 1001

Dear Sir:

The Port of Moses Lake wishes to express its total support for H.R. 1001 which is a bill to clarify that charges and fees may be collected in connection with Foreign-Trade Zones and small airports.

It is our understanding that the United States Customs Service has directed the Foreign-Trade Zones Board not to accept any applications for Foreign-Trade Zone designation from Customs User Fee airports unless this legislation is enacted into law. The Port of Moses Lake has spent a considerable amount of time and expense to make arrangements to obtain Customs User Fee Airport Designation as well as to prepare and file a Foreign-Trade Zone application with the Foreign-Trade Zones Board. We therefore wish to express our strong support for the passage of H.R. 1001.

Sincerely,

PORT OF MOSES LAKE

Neil C. Johnson
Industrial Development Mgr.

H.R. 1027

To provide temporary duty-free treatment to 2,6-HNA.

No statements submitted.

H.R. 1036

To prohibit the importation of foreign-made flags of the United States of America.

STATEMENT OF STEVE A. ROBERTSON, ASSISTANT DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION
TO THE
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
MAY 30, 1989

The American Legion appreciates the opportunity to express our support for H.R. 1036, to prohibit the importation of foreign made flags of the United States of America. During The American Legion's 71st National Convention, the Legion unanimously accepted a resolution which includes this legislative mandate. Attached to this statement is a copy of that resolution.

Our membership of nearly 3 million consists of only war time veterans who know first hand the costly price of freedom. In the preamble of the Legion's Constitution, we pledge "to foster and perpetuate 100 percent Americanism". Over the years, the Legion has emphasized the significance of the American tradition and has instilled a sense of personal obligation to accept an active part in the duties and responsibilities of American citizenship.

Flag education has been a major program of The American Legion. Each year Posts in every section of the country distribute hundreds of thousands of copies of Flag literature to local schools and youth groups as a community service. The Legion publishes The Flag Code, Let's Be Right On Flag Etiquette, Know Your America - Suggested Study Course on Americanism, and Our Country's Flag for Flag education.

The Flag is unique in the deep and noble significance of its message to the entire world. It symbolizes national independence and popular sovereignty. It incarnates for all mankind the spirit of liberty and the glorious ideal of human freedom. It is a beacon of enduring hope to the oppressed of all lands. It embodies the essence of patriotism.

The American Legion objects to foreign manufactures financially benefiting from America's sense of patriotism. Many of our members have reported gross violations of the United States Flag Code by materials produced by foreign manufactures. The Legion believes these profiteers have ambivalent feelings towards one of our nation's most treasured symbols. We find it somewhat awkward to pledge our allegiance to a banner made by someone other than Americans. Surely, "Old Glory" should be an all-American product.

Thank you for considering the concerns of America's largest and fastest growing veterans service organization.

SEVENTIETH NATIONAL CONVETION
OF
THE AMERICAN LEGION
LOUISVILLE, KENTUCKY
SEPTEMBER 6,7,8, 1988

Resolution No. 495

Committee: Americanism

Subject: Support Legislation to Prohibit the Importation of Foreign Manufactured American Flags

WHEREAS, The Flag of the United States is a uniquely American symbol; and

WHEREAS, The Flag Code of the United States as listed in Title 36, United States Code, Chapter 10, subsection 176(j) states that: "The flag represents a living country and is itself considered a living thing"; and

WHEREAS, Thousands upon thousands of Americans have risked, and in many cases given, their lives in the defense of the Flag of the United States; and

WHEREAS, It has come to our attention that foreign manufacturers have begun making and importing United States Flags and/or merchandise which violate certain provisions of the United States Flag Code; and

WHEREAS, Resolution 191, 1982 National Convention, Chicago, Illinois resolves that The American Legion promote through its Posts and Departments the purchase of American manufactured goods; and

WHEREAS, Resolution 1, National Executive Committee, October 13-14, 1982, resolved that The American Legion urge the General Services Administration of the U.S. Government to purchase and lease American manufactured goods; and

WHEREAS, Resolution 157, 1987 National Convention, San Antonio, Texas, resolved that we support legislation to have the Army and Navy purchase United States steel and to void all contracts with foreign imports; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Louisville, Kentucky, September 6, 7, 8, 1988, That The American Legion encourage its me bership through the Departments and Posts to purchase and display only American Manufactured Flags of the United States; and, be it further

RESOLVED, That The American Legion seek legislation through the United States Congress to prohibit the importation of foreign made Flags of the United States; and, be it finally

RESOLVED, That The American Legion seek additional legislation to prohibit the importation of any item of merchandise bearing a design, in any shape, size or medium, which the average person might believe to represent the Flag of the United States.

National
Independent
Flag
Dealers
Association

Officers & Board of Directors:

President
Greg Wald

Vice-President
Pete Van DePutte

Treasurer
Bill Miles

Secretary
Mary Eckert

Ernie Creech
Fred Hachmeister
Charlie Polk

May 25, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U. S. House of Representatives
Longworth House Office Building
Room 1102
Washington, D.C. 20515

Dear Mr. Leonard:

I am writing regarding H.R. 1036, "The Flag Fidelity Act."

The National Independent Flag Dealers Association is unanimously in support of H.R. 1036.

It is very important that this legislation be passed at this time. This piece of legislation is targeting foreign flag makers who seek to undercut our industry and violate our Federal Textile Laws.

There are three key points in our opinion. First, the imported products are coming in to our country unmarked. This proves that the foreign manufacturers know their products will not sell if the American public knows they are buying "Taiwan Made" American flags. Second, the designs being overlaid on the flag are a disgrace. This is an insult to the flag, all who have fought and died for it and what our country stands for. Finally, if these products are legitimate, why don't representatives of the manufacturers introduce their products to members of our association. We represent the largest flag companies in the United States and would be a great distribution system for them. Instead, they sell through a kind of "novelty underground."

Summary

The American flag industry is a mature, quality-minded, technologically-oriented industry. We strive to meet high standards and serve the American public. Flag importers care about none of the above. It is imperative that this assault on the American flag and our industry be stopped now.

Thank you in advance for your time and consideration. I look forward to a favorable conclusion to H.R. 1036.

Sincerely,

Gregory J. Wald

Gregory J. Wald
President

118 W. 5th St. • Kansas City, MO 64105

STATEMENT OF REPRESENTATIVE HARLEY O. STAGGERS, JR.
TO THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
MAY 31, 1989

Mr. Chairman, during this patriotic season [illegible] which we observe Memorial Day, Flag Day, and the Fourth of July, our nation takes pride in all that it means to be "American". The national emblem to which citizens pledge their allegiance and for which soldiers have died is the American flag. It is our responsibility to protect its integrity and defend it against attack. The American Flag Fidelity Act would do just that.

Banning the importation of foreign-made American flags would be to: 1) reaffirm the symbolic significance of our nation's foremost banner of patriotism; 2) protect this symbol of pride and dignity from perversion and exploitation; 3) shelter the domestic flag manufacturing industry from the unfair and potentially illegal trading practices of foreign producers of the U. S. flag. H. R. 1036, the American Flag Fidelity Act, would accomplish these three important goals.

The Stars and Stripes, according to the U. S. Flag Code, is "universally representative of the principles of the justice, liberty, and democracy enjoyed by the people of the United States." The Flag Code sets forth long and detailed guidelines for using, sheltering, and caring for the American flag as if it were, truly, a living entity, a microcosm of all that is proud in our nation. The American flag, then, is meant to have a soul or spirit of its own that is derived from the collective soul of our nation. Thus, we fly the flag at half mast when our citizens fall; thus, we keep the flag raised high in battle regardless of the turn the actions of war are taking; thus, we drape the flag over the caskets of our leaders and our soldiers. The flag is not a product that can be manufactured on foreign shores and still serve its purpose for those of us in the United States. A truly American flag must be made in the United States.

The reaffirmation of the symbolic significance of the U. S. flag is vital. Unfortunately, there exists an even more basic purpose to ban the importation of foreign-made American flags: to protect the Stars and Stripes from outright perversion and exploitation. Consider one foreign company that markets American flags with superimpositions of motorcycles, eagles, and rock stars. Consider that this same company marketed an American flag with the superimposition of a motorcycle bearing the slogan "High Times" across its gas tank. Clearly, this company has violated the Flag Code, but can do so with virtual immunity because it is foreign. U. S. authorities have little or no control of the practices of these foreign manufacturing companies and cannot effectively eliminate such violations of public law. Such flags cross over our borders. One has even been held up before the nation on the floor of the House of Representatives as evidence of the disregard some foreign companies have for the living and integral status of our national emblem.

Foreign companies are not subject to the same conditions that U. S. companies face. Foreign companies, with access to cheap and exploitable labor, threaten to drive domestic flag companies out of the country for sources of cheaper labor, such as Mexico. Moreover, written proof exists that at least one foreign flag company urged American importing companies to rip off the label of origin on foreign flag products and re-stitch falsified "Made in the USA" labels onto the flags. This same foreign company has offered to provide the "Made in the USA" labels! Such action constitutes wanton disregard for the American flag and for the laws of our country.

Throughout American history, there has been a tradition of keeping the flag raised even while soldiers are falling around it in battle. I ask this subcommittee to help keep the flag held high by delivering it entirely into the trustworthy hands of the American worker, and out of the hands of the exploitative foreign manufacturer.

As a proud and patriotic American, I do not want to salute nor pledge my allegiance to an American flag made on foreign shores. Our nation's most venerated symbol of freedom and democracy deserves sacred treatment and Congress should provide it.

H.R. 1094

To provide for the temporary suspension of the duty on certain two-stroke cycle piston engines.

BF

BERLIN FOUNDRY CORPORATION

May 26, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

Columbia ParCar Corporation is an important customer of the Berlin Foundry Corporation. We supply them castings for their golf carts and especially the cylinders for their two cycle gasoline engines. This is the only domestically made for a golf cart. Columbia ParCar is an important customer to all of our 400 employees here at Berlin Foundry.

For the reasons stated above, I object to the proposed legislation to eliminate the duty on imported golf cars as proposed by H.R. 1094. The passing of this legislation would obviously have a negative impact on Columbia ParCar Corporation also on our employees.

I trust that you will agree with my views and support the defeat of this legislation. Thank you for your consideration of my view.

Sincerely,

THOMAS C. BUTTERBRODT
President

TCB:mk

242 SOUTH PEARL STREET · BERLIN, WISCONSIN 54923 · 414/361-2220

BREMER MANUFACTURING CO., INC.
CAST ALUMINUM PRODUCTS
RT. 2 BOX 100, ELKHART LAKE, WI 53020
(414) 894-2944 FAX (414) 894-2881

May 30, 1989

Mr. Robert J Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

We are a manufacturer of parts that are used on two-cycle engines used in golf cars. We understand that there is legislation pending that would eliminate the duty on these engines that are imported from Japan.

The elimination of this duty would have a negative impact on our business. It would mean the loss of jobs in our facility.

I, therefore request that all consideration of H.R.1094 be withdrawn so that American jobs and industry can remain strong.

Very truly yours,

BREMER MANUFACTURING CO., INC.

Jere Bremer
President

WILEY, REIN & FIELDING

1776 K STREET, N.W.
WASHINGTON, D.C. 20006
(202) 429-7000

CHARLES OWEN VERRILL, JR.
(202) 429-7323

TELECOPIER
(202) 429-7049
TELEX 248349 WYRN UR

May 31, 1989

Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: Duty Suspension Bill H.R. 1094

Dear Mr. Leonard:

This letter is submitted on behalf of Club Car, Inc., P.O. Box 4658, Augusta, Georgia, in opposition to H.R. 1094, a bill to suspend the duty rate on two-stroke cycle piston engines for use in golf cars, snowmobiles, water vehicles and all-terrain vehicles. Club Car is a domestic manufacturer of golf cars which utilize four-stroke piston engines.

Implementation of H.R. 1094 would result in disparate tariff treatment of two-stroke and four-stroke cyle engines. While four-stroke engines would be subject to a 3.1 percent duty rate, two-stroke engines would enter the U.S. duty-free.

Engines represent approximately fifteen percent of the total purchased materials cost of a golf car. Two-stroke cycle engines are not directly interchangeable with four-stroke engines in the production of golf cars because of the design of the vehicles incorporating each type. However, the finished golf cars are directly competitive regardless of the type of engine utilized. Thus, the disparity in tariff treatment between the two types of engines under H.R. 1094 would put manufacturers utilizing four-stroke engines, such as Club Car, at a significant cost disadvantage relative to those utilizing two-stroke engines. Moreover, H.R. 1094 would create confusion and inconsistency in the Harmonized Tariff Schedules by carving out subsets of HTS 8407.32.20 and 8407.33.20 and moving two-stroke cycle engines outside the regular classification section for internal combustion piston engines.

For these reasons, Club Car opposes H.R. 1094 and urges the Committee not to include this provision in any duty suspension bill reported by the Committee.

Respectfully submitted,

Charles O Verrill

Charles Owen Verrill, Jr.
Lynn S. West
Counsel for Club Car, Inc.

WILEY, REIN & FIELDING

1776 K STREET, N. W.
WASHINGTON, D. C. 20006
(202) 429-7000

WRITER'S DIRECT DIAL NUMBER

TELECOPIER
(202) 429-7049
TELEX 248349 WYRN UR

June 14, 1989

(202) 429-7231

Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: Duty Suspension Bill H.R. 1094

Dear Mr. Leonard:

By letter dated May 31, 1989, we advised the Committee of the opposition of Club Car, Inc., a domestic golf car manufacturer, to H.R. 1094 due to the discriminatory tariff treatment which would result. As the bill is currently crafted, imported two-stroke cycle engines would enter duty-free, while imported four-stroke cycle engines would be subject to a 3.1 percent duty, placing vehicle manufacturers using four-stroke cycle engines at a relative commercial disadvantage.

If the bill were modified to include four-stroke cycle engines, the tariff discrepancy would be eliminated. This could be accomplished by deleting the words "two stroke cycle" in the classification description. If such a modification were made, Club Car would withdraw its opposition and would fully support the bill, as it would restore the duty-free status historically enjoyed by these engines.

We have communicated these views to the staff of the bill's sponser, Representative Frenzel, in anticipation of the mark-up scheduled today.

Sincerely,

Lynn S West

Charles Owen Verrill, Jr.
Lynn S. West

Counsel for Club Car, Inc.

COLUMBIA

From: Todd L. Sauey
President

COLUMBIA PARCAR CORP.

One Golf Car Road
P.O. Box #1
Deerfield, WI 53531

608 764-5474

May 22, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington D.C. 20515

Dear Mr. Leonard,

Columbia ParCar Corp. manufactures gasoline & electric powered golf cars which we distribute throughout the world. One of our most unique selling features is that we manufacture our own two-cycle gasoline engines. All other gasoline engines for golf cars are purchased from Japan.

We must object to proposed legislation in the form of duty suspension bill H.R. 1094. Essentially, H.R. 1094 suspends the duty on two-stroke piston engines used on golf cars and a variety of other vehicles. H.R. 1094 would impose a significant hardship in our ability to compete in the gasoline golf car market. The employment of many of our people and that of our suppliers would be very negatively impacted by H.R. 1094.

I request that all consideration for H.R. 1094 be withdrawn in support of American industries that still believe in building a strong America.

Sincerely,

Todd L. Sauey

Todd L. Sauey

ORIGINAL DESIGNS
FN Schmidt & ASSOCIATES, INC.
MUKWONAGO
Phone 414 - 363-7198
MILWAUKEE
Phone 414 - 786-7740 • Box 227 • Mukwonago, Wisconsin 53149
TELEX 26-0085 FAX 414-363-3798

May 23, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U. S. House of Representatives
Room 1102
Longworth House Office building
Washington, D. C. 20515

Dear Mr. Leonard,

We are a small sales corporation of United States manufactured products, selling to original equipment manufacturers. One of our outlets is the manufacturer of gasoline powered golf cars. Some of these manufacture their own two cycle gasoline engines. Removing tariffs would cost many Unites States jobs.

Therefore, we must object to proposed legislation in the form of duty suspension bill H.R. 1094. Essentially, H.R. 1094 suspends the duty on two stroke piston engines used on a variety of vehicles.

I request that all consideration for H.R. 1094 be withdrawn in support of American industries that still believe in a strong America.

Yours truly,

F. N. SCHMIDT & ASSOCIATES, INC.

F N Schmidt
F. N. Schmidt

FNS:js

(IDENTICAL LETTERS WERE ALSO RECEIVED FROM JOHN J. SCHMIDT AND WILLIAM O. SCHMIDT, OF F.N. SCHMIDT & ASSOCIATES, INC.)

Manufacturers' Representatives

May 23, 1989

Mr. Robert J. Leonard,
Chief Counsel
Committee on Ways & Means
U. S. House of Representatives
Room 1102
Longworth House Office Building
Washington D. C. 20515

Dear Mr. Leonard:

For several years I have been conducting business with all of the golf car manufacturers and recreational vehicle manufacturers that do business in the United States. My association with these companies is as a manufacturers' representative, and it is my assessment that they are all reasonably competitive with each other.

I am aware of House Bill H. R. 1094 under your consideration. I have not read this bill so I cannot fairly pass judgement on it. However, I would like to state my concern pertaining to this.

You need to carefully consider the following: Are you giving an advantage to a few companies over the others? Is this legislation really needed? Is this legislation going to create more problems than it will solve? Was this bill created for a small special interest group?

IF IT IS NOT BROKEN DON'T FIX IT, especially with more government legislation. I can't emphasize this point enough. We don't need more government legislation that will cause more hardship and stifle the free enterprise system; such as the new IRS Tax Legislation, Section 89.

Sincerely,

Harold M. Hockersmith

Harold M. Hockersmith
1809 Liberty Avenue
Richmond, Indiana 47374

cc: Senators/Representatives:
R. Lugar
D. Coates
P. Visclosky
P. Sharp
J. Hiler
E. Hillis
D. Burton
J. Myers
L. Hamilton
A. Jacobs, Jr.

ROBINS, KAPLAN, MILLER & CIRESI
ATTORNEYS AT LAW

ATLANTA, GEORGIA
DALLAS, TEXAS
MINNEAPOLIS, MINNESOTA
NEWPORT BEACH, CALIFORNIA
SAINT PAUL, MINNESOTA
SAN FRANCISCO, CALIFORNIA
WASHINGTON, D. C.
WELLESLEY, MASSACHUSETTS

ARMY-NAVY CLUB BUILDING
SUITE 610
1627 EYE STREET, N. W.
WASHINGTON, D. C. 20006-4001
TELEPHONE (202) 861-6800
TELECOPIER (202) 861-6819
TELEX 4931197 RKMC

CHARLES A. HUNNICUTT

May 30, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Re: H.R. 1094 - To provide for the temporary suspension of the duty on certain two-stroke cycle piston engines

Dear Mr. Leonard:

Polaris supports H.R. 1094, a bill introduced by Congressman Bill Frenzel. H.R. 1094 would temporarily suspend the duty on certain two-stroke cycle piston engines.

Polaris produces snowmobiles and all-terrain vehicles which use two-stroke cycle piston engines. Polaris has been importing these engines for over twenty years from Japan.

There is no significant domestic production of two-cycle engines for use in these types of vehicles. Polaris has been unable to locate a domestic manufacturer who can supply two-cycle engines which meet the necessary specifications. None of the major U.S. small engine manufacturers produce an adequately sized two-cycle engine which can withstand the rigors of use associated with Polaris' products and still maintain Polaris' price and quality standards. In order to remain competitive, Polaris has been forced to continue importing its two-cycle engines.

For many years under the Tariff Schedule of the U.S. (TSUS), the Customs Service classified two-cycle engines under a category which gave these engines a free rate of duty for imports from both Column 1 and Column 2 countries. However, the Harmonized Tariff Schedule (HTS) on January 1, 1989, imposes duty rates for small engines of the type Polaris imports of 3.1

percent for imports from Column 1 countries and 35 percent for imports from Column 2 countries. H.R. 1094 would temporarily suspend the tariff and return two-cycle engines to their free rate of duty. This tariff suspension is very important to the ability of domestic producers like Polaris to remain price competitive in downstream products. The domestic producers will have a very difficult time absorbing the additional costs of the tariff which commenced January 1, 1989, and simultaneously continuing their efforts to remain competitive. The bill would allow for the rebate of any duties paid on engines covered under this suspension which were imported after December 31, 1988, but on or before the thirteenth day after the date of enactment of the Act.

It is impossible for Polaris to estimate the total revenue impact of H.R. 1094. Polaris can, however, estimate its portion of the cost. Given the number and cost of the two-cycle engines Polaris imported last year, Polaris estimates that H.R. 1094 would translate into $620,000 in forgone tariff revenue.

H.R. 1094 would enhance the competitiveness of producers who use two-cycle engines. A return to the traditional tariff treatment of two-cycle engines would greatly enhance the competitive abilities of producers of these vehicles. Since H.R. 1094 can achieve these benefits with a relatively small budgetary impact and without harming any domestic industries, H.R. 1094 ought to be enacted.

Sincerely,

Charles A. Hunnicutt

Comments of the E-Z-Go Division of Textron Inc.

May 31, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Re: H.R. 1094 - To provide for the temporary suspension of the duty on certain two-stroke cycle piston engines.

Dear Mr. Leonard:

This statement is submitted on behalf of the E-Z-Go division of Textron Inc. in response to the May 3, 1989, press release #10 by the Subcommittee on Trade of the Committee on Ways and Means. E-Z-Go supports H.R. 1094, legislation introduced by Congressman Frenzel of Minnesota that would temporarily suspend the duty on certain two-stroke cycle piston engines.

E-Z-Go Textron

E-Z-Go is a division of Textron Inc. a diversified multi-industry company involved in aerospace technology products, financial services and commercial products. E-Z-Go is a leading producer of gasoline and electric golf cars, related parts and accessories, plus a line of utility vehicles for turf, industrial and commercial markets. Founded in 1954, E-Z-Go was one of the nation's first golf car manufacturers and today is the world's largest golf car producer. E-Z-Go became a division of Textron in 1960.

Golf Car Engines

E-Z-Go has imported two-cycle piston engines for its gasoline-powered golf cars since the early 1970s. Its supplier throughout this period has been Fuji Heavy Industries of Japan. E-Z-Go has over the years taken the position that a two-cycle gas engine, as opposed to a four-cycle engine, was the best technical approach for use in the golf car application. In particular, two-cycle engines are easier to maintain than four-cycle. Many of the other golf car manufacturers utilize four-cycle engines, although two-cycle engines are used in some models.

E-Z-Go has made a concerted effort over the years to find a domestic supplier for its two-cycle engines. Currency fluctuations, high transportation costs and easier customer-supplier communications have all served as a major incentive for E-Z-Go to look for a U.S. manufacturer.

E-Z-Go has spoken with most of the major U.S. small engine manufacturers over the years to discuss its engine needs. Unfortunately, most of these potential vendors did not have an appropriately sized two-cycle engine that would meet the rigorous requirements associated with golf car use. The few engines E-Z-Go has seen that would seem appropriate for this application have been unable to meet E-Z-Go's price, quality and performance requirements. In addition, no American small engine manufacturer is willing to undertake the development costs associated with a new golf car engine, because the volume levels are not sufficient to justify such a project economically. So, E-Z-Go has continued to source its engines from Japan. E-Z-Go is continuing its contacts with domestic small engine manufacturers but is not optimistic that a U.S. supplier for its two-cycle engine will emerge in the near future.

PUBLIC VERSION

Tariff Treatment of Small Engines

The change from the Tariff Schedule of the United States (TSUS) to the Harmonized Tariff Schedule (HTS) on January 1, 1989 led to a reclassification of gasoline golf car engine imports. Under the TSUS, gasoline golf car engines were classified under TSUS #660.40 which is defined as:

> Internal combustion engines and parts thereof;
>   Piston-type engines:
>   To be installed in tractors of a type provided for in item 692.34 or in agricultural or horticultural machinery or implements provided for in item 666.00.........

While the above classification did not specifically state that it was designed for engines used in golf car applications, the Customs Service had classified golf car engines in this category for many years. TSUS #660.40 had a free rate of duty for imports from both Column 1 and Column 2 countries.

The shift to the HTS led to more clearly delineated categories for small engines of the type E-Z-Go imports. Under the HTS, E-Z-Go's golf car engines now fall under HTS# 8407.32.20, which is defined as:

> Spark ignition reciprocating or rotary internal combustion piston engines...
>   Reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87:
>   Of a cylinder capacity exceeding 50 cc but not exceeding 250 cc:
>   To be installed in vehicles of subheading 8701.20, or heading 8702, 8703 or 8704 ....

The tariff on engines classified under HTS# 8407.32.20 is 3.1 percent for imports from Column 1 countries and 35 percent for imports from Column 2 countries. Vehicles classified under headings 8702, 8703 and 8704 include golf cars, snowmobiles, passenger buses, automobiles and trucks. In addition, golf car engines can also fall under HTS# 8407.33.20, which is identical in classification and tariff rate to HTS# 8407.32.20 except that it covers engines with a cylinder capacity between 250 cc and 1,000 cc.

Rationale for H.R. 1094

H.R. 1094 is designed to suspend temporarily the tariff on two-stroke piston-type engines with a cylinder capacity between 50 cc and 1,000 cc for use in golf cars, snowmobiles, all-terrain vehicles and personal watercraft until December 31, 1992. The legislation would also allow for the rebate of any duties paid on engines covered under this tariff suspension that were imported after December 31, 1988 but on or before the 13th day after the date of enactment of the Act.

H.R. 1094 is designed to alleviate an unexpected consequence of the shift from the TSUS to the HTS. No rationale has ever been provided to explain why the tariff on imported golf car engines should have been increased under the HTS. The shifting of tariff nomenclature was simply designed to provide more clearly defined categories for internal combustion engine imports. The imposition of a 3.1 percent tariff has led to increased costs for golf car manufacturers like E-Z-Go who have no choice but to buy foreign engines. This increased cost must be passed on directly to the consumer.

H.R. 1094 was written very carefully to limit its application to two-stroke engines so that domestic small engine manufacturers were not effected by the legislation. Four-stroke engines are not included in this legislation since a duty reduction would impact the domestic manufacturers of this product. As mentioned above, E-Z-Go has gone to great lengths to persuade a domestic small engine producer to build a two-stroke engine for golf car use. We have been unable to find such an engine that meets our specifications nor have we been able to get a U.S. company to build a new engine of the quality and performance we require. Therefore, domestic small engine producers will not be hurt by this tariff suspension.

E-Z-Go is aware that Columbia Parcar, a U.S. golf car manufacturer, does produce its own two-stroke engine. However, E-Z-Go has examined that engine and believes it is totally incapable of meeting its quality standards or performance specifications. Furthermore, E-Z-Go cannot be expected to rely on a competitor for the most important component of its product.

Estimated costs of H.R. 1094

Since E-Z-Go only manufactures golf cars and utility vehicles, it would be impossible for it to estimate the total revenue impact of H.R. 1094. However, it is possible for E-Z-Go to estimate the total cost of the tariff suspension for the golf car portion of the legislation.

E-Z-Go imported approximately ( ) two-stroke engines in 1938 from Japan at an average cost of about ( ). The total value of its imports would therefore be approximately ( ). E-Z-Go estimates that the other domestic golf car companies imported about ( ) two-stroke engines in 1988 at an average cost of about ( ). The value of these imports would be about ( ). Therefore, the total value of two-stroke golf car engines into the United States for 1988 would be ( ). At a 3.1 percent tariff rate, this translates into $324,756 in foregone tariff revenue in 1988.

Conclusion

H.R. 1094 is designed to alleviate an unexpected result of the shift to the Harmonized Tariff Schedule. Since there is no domestic two-stroke golf car engine industry, the tariff is not needed to protect domestic industry. As a result, the reduction in tariff will not injure any domestic small engine manufacturer.

Furthermore, this legislation will just return the tariff treatment of golf car engines back to its status in years past. The imposition of a new tariff on golf car engines has added unnecessary costs onto golf car manufacturers and consumers. H.R. 1094 will temporarily eliminate these unnecessary costs, with no negative impact on America manufacturers or workers.

Sincerely,

Steven Wein

Steven Wein
Manager-Legislative Affairs
Textron Inc.

TRIONICS, INC.
P.O. Box 225
St. Charles, IL 60174
(312) 232-9117
Fax (312) 232-0820

May 24, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington D.C. 20515

Dear Mr. Leonard:

We supply parts for Columbia Parcar Corp. who manufacture gasoline & electric powered golf cars which they distribute throughout the world. One of their most unique selling features is that they manufacture their own two-cycle gasoline engines. All other gasoline engines for golf cars are purchased from Japan.

We object to proposed legislation in the form of duty suspension bill H.R. 1094. Essentially, H.R. 1094 suspends the duty on two-stroke piston engines used on golf cars and a variety of other vehicles. H.R. 1094 would impose a significant hardship because of loss of business for the gasoline golf car market. The employment of many of our people and that of our suppliers would be very negatively impacted by H.R. 1094.

I request that all consideration for H.R. 1094 be withdrawn in support of American industries that still believe in building a strong America.

Sincerely,

James R Teppo

James R. Teppo
President

WILLKIE FARR & GALLAGHER

Washington, DC
New York
London
Paris

BY HAND

May 31, 1989

Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

This letter is submitted in response to the May 3, 1989 notice by the Committee on Ways and Means requesting public comments on certain trade and tariff bills. These comments address H.R. 1094 and respectfully request that the bill be approved with an amendment to allow duty suspension on both 2-stroke and 4-stroke engines.

We are counsel to Yamaha Motor Manufacturing Corporation of America which produces golf cars and water vehicles in Newnan, Georgia. We are writing to express concern over H.R. 1094, a bill to suspend duties only on 2-stroke engines used in all-terrain vehicles ("ATVs"), golf cars, snowmobiles and water vehicles. Yamaha and Club Car, Inc. use imported 4-stroke engines in their U.S.-made golf cars as does Kawasaki Motor Corp., U.S.A. in its U.S.-made ATVs. As presently drafted, H.R. 1094 would penalize these three domestic manufacturers without justification and may also harm other similarly situated U.S. companies.

Yamaha objects to H.R. 1094's discriminatory treatment of 2-stroke engines as unjustified and unprecedented. Yamaha believes that the policies behind H.R. 1094 -- correcting unintended duties imposed by the changeover to the Harmonized Tariff System ("HTS") and facilitating domestic production of products using engines which are not domestically available in commercial

Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20036-3302
202 328 8000

Telex: RCA 229800
WU 89-2762
Fax: 202 887 8979
202 331 8187

quantities -- would be more fairly achieved by extending the same duty-free treatment to all domestic manufacturers of these products and not just those using 2-stroke engines.

Prior to the January 1, 1989 implementation of the HTS, engines of the type covered by H.R. 1094, and 4-stroke engines used in the same products, had entered the U.S. duty-free, while the products they are used in were dutiable. Specifically, ATVs were dutiable at 2.5% ad valorem, golf cars at 2.5% ad valorem, snowmobiles at 2.5% ad valorem, and water vehicles at 1.5% ad valorem. This relationship between the duty rates on these engines and on these products was consistent with the general principle of U.S. customs law that a finished product is dutiable at a higher rate than its component parts. This principle is intended to encourage U.S.-based manufacturing of finished products. See Charles T. Wilson Co. v. United States, C.A.D. 126, 28 C.C.P.A. 63,70 (1940).

The principle makes sense when the effects of violating it are understood. If component parts of a product are dutiable at a higher rate than the product itself, from a duty cost perspective it makes more economic sense to manufacture the product overseas and import it into the U.S. rather than importing the component parts for U.S. manufacture of the product. Thus violating the principle promotes an increase in imports and a decrease in U.S. employment.

The tariff schedule in effect before the HTS was consistent with the principle. When the HTS was implemented, these engines became dutiable at 3.1% ad valorem but the duty rates on the end products remained unchanged at 2.5% ad valorem and 1.5% ad valorem. This created an inverted duty relationship because the engines are now dutiable at a higher rate than the end products. This relationship violates the general principle of U.S. customs law. Thus the HTS promotes foreign manufacture of these products and creates a disincentive to their U.S. manufacture. This disincentive should be eliminated by correcting the inverted tariff anomoly created by the changeover to the HTS.

The HTS was adopted pursuant to clear congressional intent that the changeover be revenue neutral. H.R. Rep. No. 576, 100th Cong., 2d Sess. 548 (1988). In this instance, however, the changeover has imposed unnecessary and irrational duties on domestic manufacturers. As far as Yamaha is aware, neither Congress nor the Administration had any reason for imposing a duty on imports of any of these engines. It seems to have been accomplished by accident and not by design.

These specialty vehicle engines had been imported duty-free before adoption of the HTS in apparent recognition of the fact that they are not available at required specifications and in commercial quantities from U.S. suppliers. Thus the duty-free status of these engines promoted domestic manufacture of the products they are used in without harm to any domestic industry. Domestic manufacture of products using these engines, in turn, helps to displace imports of the products and promotes their U.S. production for export markets, both of which lead to an increase in U.S. employment and investment and improves the U.S. trade imbalance.

The purposes underlying H.R. 1094 should be carried out by eliminating the unintended, irrational duties imposed by the HTS on all companies that are producing these vehicles in the U.S. and must use imported engines. It is the consumer who ultimately pays the cost of this accidental tariff, whether the end product uses 2-stroke or 4-stroke engines.

Attached is a chart concerning engines and vehicles covered by H.R. 1094 on which Yamaha has information.[1] As shown on the chart, virtually all 2-stroke and 4-stroke engines for ATVs, golf cars and snowmobiles are imported. The single exception, according to Yamaha's information, is the relatively small amount of captive 2-stroke golf car engine production by Columbia Par Car. Eliminating duties on imports of 2-stroke engines but not on imports of 4-stroke engines would create a false market bias based solely on irrational tariff rates. There is no policy justification for H.R. 1094 discriminating in favor of U.S. manufacturers using imported 2-stroke engines and against domestic manufacturers using imported 4-stroke engines.

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[1] Water vehicles are not listed on the chart because their inclusion in H.R. 1094 appears to be an error. Water vehicle engines currently are imported free of duties under the HTS, as they were before the adoption of the HTS.

It was not the considered policy of the Congress nor the Administration to make these engines dutiable and no U.S. interest is served by it. It is proper that Congress act to correct the inadvertent inverted duty anomolies imposed by the HTS. This is best accomplished by restoring the duty relationship in effect before the HTS was implemented and suspending duties on both 2-stroke and 4-stroke engines. To separate out 2-stroke engines, however, would only compound the problem caused by the changeover. If only 2-stroke engines are returned to their pre-HTS tariff rates, users of 4-stroke engines would be penalized without benefit to any government policy. The situation should be corrected but only by treating both types of engines equally as had been done before the HTS changeover.

Neither public policy nor market forces justify special treatment for 2-stroke engines. Past practice, equity and supply realities require that the two types of engines be treated the same. Consequently, H.R. 1094 should be amended to include both 2-stroke and 4-stroke engines in the duty suspension.

Thank you for your attention to Yamaha's views on this important matter. Please do not hesitate to call us if you have any questions or would like additional information.

Respectfully submitted,

William H. Barringer
Kenneth J. Pierce
John M. Suber

WILLKIE FARR & GALLAGHER

Counsel for Yamaha Motor
Manufacturing Corporation
of America

Enclosure

cc: The Honorable Bill Frenzel
The Honrable David Durenberger

H.R. 1094 AND DOMESTIC MANUFACTURERS

Products	Manufacturer	Engine Used 2-Stroke/4-Stroke	U.S. Source	Foreign Source
ATV	Polaris	2	--	Fuji
	Kawasaki	4	--	Kawasaki
GOLF CAR	Yamaha	4	--	Yamaha
	E-Z-GO	2	--	Fuji
	Club Car	4	--	Kawasaki
	Par Car	2	Par Car	--
SNOWMOBILE	Polaris	2	--	Fuji
	Arctic Cat	2	--	Suzuki

H.R. 1126

To suspend temporarily the duty on self-folding collapsible umbrellas.

AFTAC AMERICAN FIBER, TEXTILE, APPAREL COALITION

1801 K STREET, N.W., SUITE 900, WASHINGTON, D.C. 20006 (202)862-0500

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1136 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 10 dated May 3, 1989. The American Fiber, Textile, Apparel Coalition (AFTAC) is a broad based coalition which includes 21 organizations representing industry and labor producing most of the fibers, fabrics, home furnishings, industrial textiles and apparel made in the United States.

AFTAC opposes H.R. 1126, legislation to suspend the duty on self-folding collapsible umbrellas.

The collapsible umbrellas used for protection against tne rain use products which contain substantial amounts of nylon taffeta or other synthetic filament fabrics, both of which products are made in the United States. The duty free import of these umbrellas could have a significant adverse impact on the production of filament yarn fabric in the United States.

Thank you for your time and consideration on this matter.

Sincerely,

Robert Blanchard

Robert Blanchard
Chairman

RB\vab

Amalgamated Clothing & Textile Workers Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet & Rug Institute
Clothing Manufacturers Association of America
Cordage Institute
Industrial Fabrics Association International
International Ladies' Garment Workers Union
Knitted Textile Association
Luggage & Leather Goods Manufacturers of America
Man-Made Fiber Producers Association, Inc.
National Association of Uniform Manufacturers
National Cotton Council of America
National Knitwear Manufacturers Association
National Knitwear & Sportswear Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association, Inc.
Work Glove Manufacturers Association

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20510

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 10 dated May 3, 1989. The American Textile Manufacturers Institute (ATMI) represents members which account for over 80 percent of all U.S. textile production.

ATMI opposes H.R. 1126, legislation to suspend the duty on self-folding collapsible umbrellas.

The collapsible umbrellas used for protection against the rain use products which contain substantial amounts of nylon taffeta or other synthetic filament fabrics, both of which products are made in the United States. The duty free import of these umbrellas could have a significant adverse impact on the production of filament yarn fabric in the United States.

Thank you for your time and consideration on this matter.

Sincerely,

Carlos Moore
Carlos Moore
Executive Vice President

CM\vab

CRAFTED WITH PRIDE IN U.S.A.

Tel: 202/862-0500 Fax: 202/862-0570 Twx:710-822-9489

MEMORANDUM IN SUPPORT OF H.R. 1126
A TEMPORARY DUTY SUSPENSION FOR
SELF-FOLDING TELESCOPIC SHAFT, COLLAPSIBLE UMBRELLAS

I. INTRODUCTION

These comments are submitted to the Subcommittee on Trade of the House Ways and Means Committee on behalf of TOTES, Inc. of Loveland, Ohio, in support of a H.R. 1126, a bill to temporarily suspend the 8.2% ad valorem United States Customs duties on imported self-folding telescopic shaft, collapsible umbrellas provided for under HTS heading 6601.91.00 through December 31, 1994. This is a second introduction of this bill as a comprehensive miscellaneous tariff bill was not passed last year.

II. DESCRIPTION AND USES

The heading "self-folding, collapsible umbrellas" includes only telescopic shaft-type umbrellas and not stick-type umbrellas. These umbrellas are used chiefly for protection against rain.

III. MANUFACTURE AND IMPORTATION

There is at present no known integrated umbrella making industry in the United States engaged in the manufacture of mass market telescopic shaft-type hand-held umbrellas or umbrella frames. Accordingly, the existing duty on imported telescopic shaft-type umbrellas serves no legitimate "industry protection" purpose.

Some U.S. companies are assembling certain "specialty" stick-type umbrellas in the United States using imported frames. For the most part, these firms manufacture beach, golf or other specialty umbrellas which are not directly competitive with telescopic shaft-type hand-held umbrellas. Thus, the duty suspension will not inflict harm on United States firms or workers.

Further, it should be noted that Congress has passed, and is expected to shortly extend, legislation suspending the duty on imported umbrella frames. This measure, which TOTES does not oppose, provides a benefit to the firms engaged in United States stick-type umbrella assembly operations. To TOTES' knowledge, all of the firms assembling umbrellas in the United States from imported frames are also substantial importers of finished umbrellas. Accordingly, the proposed duty suspension for finished telescopic shaft-type umbrellas would benefit them as well, without placing them at any competitive disadvantage with respect to umbrellas which they may assemble in the United States. It is believed that virtually all umbrella frames imported into the United States are stick-type frames. There is no importation of telescopic shaft-type frames, or "topless" frames, as the process of affixing a fabric top to frame - known as "tipping, tacking and tethering" - is performed exclusively overseas.

TOTES has canvassed major umbrella importers and assemblers with respect to the concept of a duty suspension bill. These firms include Mespo Umbrella, D. Klein & Sons, Liberty Umbrella and Shaw Umbrella all of New York City; Aqua Sheen of Miami, Florida; and Shedrain of California. These firms - some of whom also assemble stick-type umbrellas in the United States with the use of imported frames - have not expressed opposition to the proposed legislation.

IV. COSTS/SAVINGS

In recent years, volume and value of hand-held umbrellas imported into the United States have risen steadily. In 1988, the United States imported 43,985,757 umbrellas having a value of $82,695,705.00. The duties paid in 1988 amounted to $6,000,657.00. These figures include imports of both telescopic shaft-type and stick-type umbrellas. The proposed legislation covers only telescopic shaft-type umbrellas which represent approximately 95% of the umbrellas imported into the U.S. Savings resulting from a temporary suspension could be passed on to the American consumer.

In addition, the savings would enable TOTES to devote more resources to improving the competitiveness of its U.S. manufacturing operations, which manufacture a wide variety of products including rubber footwear of all types and safety grips for baseball bats and other sporting equipment.

V. CONCLUSION

There are no U.S. manufacturers of telescopic shaft-type umbrellas. Consequently, the enactment of a temporary duty suspension will not cause injury to United States manufacturers or other United States business interests. A duty suspension will result in savings to the United States umbrella industry and which in turn, could be passed on to consumers.

For the foregoing reasons, TOTES, Inc. supports H.R. 1126 and requests that the Committee recommend its passage. TOTES and its representatives will be happy to respond to any questions or requests for further information about this matter.

Respectfully submitted,

NEVILLE, PETERSON & WILLIAMS
39 Broadway, Suite 2201
New York, New York 10006
(212) 635-2730

By: John Peterson
JOHN M. PETERSON

INTERNATIONAL BUSINESS-
GOVERNMENT COUNSELLORS, INC.
818 Connecticut Avenue, N.W.
12th Floor
Washington, D.C. 20006
(202) 872-8181

By:
JAMES B. CLAWSON

IBC

International Business-Government Counsellors, Inc.
818 Connecticut Avenue, N.W., 12th Floor, Washington, D.C. 20006

May 19, 1989

The Honorable Dan Rostenkowski
U. S. House of Representatives
2111 Rayburn House Office Building
Washington, D.C. 20515-1308

Dear Chairman Rostenkowski:

TOTES, Inc. strongly urges you to support passage of a Miscellaneous Tariff Package to be included in this year's Budget Reconciliation Bill. This year, 210 miscellaneous tariff bills have been introduced by House members. 151 of these bills are duty suspension bills or extensions of previous duty suspension bills. This all-time "high" can be attributed partly to the fact that a comprehensive miscellaneous tariff package was not passed last year. Consequently, a bill to suspend duties on self-folding collapsible umbrellas was not considered in 1988.

At the request of TOTES, Inc., Loveland, Ohio, February 27, 1989, Congressman Bill Gradison reintroduced a bill to suspend temporarily the duty on self-folding, collapsible umbrellas - H.R. 1126. The heading "self-folding, collapsible umbrellas" includes only telescopic shaft-type umbrellas and not stick-type umbrellas. There is no domestic manufacture of telescopic shaft-type umbrellas. In fact, many of the stick-type umbrella U.S. manufacturers also import telescopic shaft-type umbrellas and would therefore benefit from H.R. 1126. The bill has already passed through the investigations of the Department of Commerce and the International Trade Commission.

I therefore strongly urge you, on behalf of TOTES, Inc., to support passage of a Miscellaneous Tariff package to be included in this year's Budget Reconciliation Bill. Thank you for your consideration.

Sincerely,

Julia L. Dorrian

Julia L. Dorrian

Telephone (202) 872-8181 • Fax: (202) 872-8696 • Telex: 440511 IBGC UI

H.R. 1156

To suspend temporarily the duty on a certain chemical intermediate.

No statements submitted.

H.R. 1160

To suspend temporarily the duty on octadecyl isocyanate.

WRITTEN STATEMENT
ON BEHALF OF
MOBAY CORPORATION
CONCERNING
HOUSE BILL 1160

STATEMENT

Mobay Corporation, a member of the Bayer USA, Inc. group whose parent company is Bayer AG of Leverkusen, West Germany, is headquartered in Pittsburgh, PA. Since its formation in the early 1950s, Mobay has become a diversified manufacturer of chemical intermediates and polymeric resins. We supply products to broad areas of U.S. industry having need for polyurethane raw materials and polymers, agricultural chemicals, dyestuffs, pigments, plastic resins, coating ingredients, textile fiber and industrial chemicals.

While most of the products supplied to U.S. industry are produced domestically, we do import some chemical products for use in our manufacturing operations or for direct distribution in this country when the size or demand in the American market does not justify domestic production. One such chemical product is octadecylisocyanate (ODI).

ODI is a specialty chemical that Mobay markets directly as imported. It is a key ingredient in making adhesive tapes for a wide assortment of uses. It is also used to a lesser extent in the manufacture of solid rocket fuels and thus is of importance to government contractors participating in U.S. rocketry programs.

Although the consumption of ODI in adhesive tapes is relatively small — estimated at about 300,000 pounds in 1989 — it represents end-use products having market value in the millions of dollars. The use in adhesive tapes is unique; there are no known substitutes.

There are no producers of ODI in the United States. In fact, we believe that Bayer AG of West Germany is the only producer in the world of ODI suitable for the uses mentioned.

For years Mobay produced ODI in a multipurpose plant in its manufacturing complex in West Virginia. This plant was shutdown and dismantled in 1987 for economic reasons. Since that time Mobay has imported the chemical from Bayer to satisfy its sales commitments in the U.S. The new supply arrangement has raised the cost of using ODI to our customers that would be alleviated by waiving the duty imposed on the chemical. Enactment of H.R. 1160 will benefit the ultimate consumer and help this country improve its capability to compete in domestic and foreign markets.

We urge the Committee to approve this requested temporary suspension of duty. H.R. 1160 is identical to H.R. 4500 which was introduced in the 100th Congress but not acted upon because of time constraints prior to final adjournment.

Thank you for your consideration of this matter. For further discussion, if needed, please call E. Klavin (431/777-4764) or P. Gemeinhardt (412/777-4875).

Statement Of Olin Corporation
In Opposition to H.R.1160, H.R.1844 and H.R.1872

Introduction

Olin Corporation is a diversified producer of chemicals and other products with headquartes in Stamford, Connecticut. In 1988 Olin's worldwide sales were about $2.3 billion.

Olin submits these comments in order to oppose three bills, H.R. 1160, H.R. 1844 and H.R. 1872, that would extend until December 31, 1992 duty-free status for three chemicals in the isocyanate group. These are, respectively, octadecyl isocyanate; 1,5, napthalene diisocyanate; and 1,6-hexamethylene diisocyanate.

Summary of Olin's Position

In 1988 Olin announced a major commitment to expanding and diversifying its U.S. production of isocyanate chemicals at its plant in Lake Charles, Louisiana. This commitment includes production for the first time of octadecyl isocyanate and 1,6-hexamethylene diisocyanate as well as other specialty isocyanate products. Olin has now begun producing these specialty isocyanate products at its Lake Charles plant and expects this specialty isocyanate production to increase each year until reaching Olin's production target in 1991. This new investment is making a meaningful contribution to the relatively depressed Louisiana economy.

Until Olin's entry into the U.S. market for these specialty isocyanate products, there were no domestic sources other than a relatively modest amount of 1,6 hexamethylene production by Mobay, which is owned by Bayer, the German chemical giant. Instead, domestic users of these products relied on imports, principally from West Germany. Thus the economic conditions that in the past may have justified special legislation providing duty-free status for these imports no longer apply today. To the contrary, perpetuation of this special benefit to imports of specialty isocyanates would seriously hamper Olin's ability to become established as the only major U.S. source of these products.

The European Community continues to impose duties on the imports of isocyanates, and at the uncommonly high rate of 13 percent. It would, therefore, also be inappropriate from a trade policy perspective for the United States to provide duty-free status to such products where the EC does not.

The Reasons for Olin's Opposition to Each of the Three Specialty Isocyanate Bills

Olin is opposed to each of the bills that would continue duty-free status for the three specialty isocyanate products. There are common grounds for that opposition, as stated in the summary of Olin's position, but there are also grounds particular to each of the these products. In the following three parts of this statement, Olin describes the U.S. market for each product and the grounds for its opposition to continued duty-free status for each.

A. H.R. 1160 (octadecyl isocyanate)

Olin estimates that in 1988 U.S. imports of octadecycl isocyanate ("ODI") were about $2.5 to $3 million, representing about a half a million pounds of product. This represents 100 percent of U.S. consumption of ODI.

ODI is imported and sold by the U.S. subsidiary of Bayer. Bayer produces the imported ODI in West Germany.

The U.S. market for ODI is growing. The fastest-growing use for ODI is in the production of the "rubbery" adhesive used on paper "post-it" notes. Olin believes that the major users of ODI are 3M (Minnesota Mining & Manufacturing) (for "post-it" products), Anderson Development, and Century Adhesives.

Olin has already begun production of ODI and is now in the process of being certified as a supplier by 3M and others. Olin has the capacity to produce 250,000 or more pounds per year of ODI by 1991. This represents about 50 percent of current demand for ODI.

While the ODI market is growing, it is nonetheless highly price sensitive. The ODI market is influenced by the price terms set by the large buyers. Olin must sell to large users such as 3M in order to become established in the U.S. market and to support the extensive fixed costs associated with any such new investment in the chemical industry. The continuation of duty free status for ODI imports will, as a practical matter, hinder Olin's efforts to break into the market as the sole U.S. source of ODI.

B. H.R. 1872 (1,6 hexamethylene diisocyanate)

Olin estimates that in 1988 U.S. imports of 1,6 hexamethylene diisocyanate) ("HDI") were about $6 million. While this represents only about 10 percent of the U.S. market for HDI, these imports are growing rapidly relative to domestic consumption.

The major foreign producer and importer is again West Germany's Bayer and its U.S. subsidiary. The French chemical giant Rhone Poulenc also exports HDI to its U.S. subsidiary. Olin understands that Rhone Poulenc will increase its HDI imports as a result of its plans to build an HDI derivative plant in the U.S.

HDI is used in the production of paints and automobile body refinishes. HDI's use in this area is growing because it enables the paint producer to use less organic solvent, a toxic product. HDI thus plays an important role in pollution control.

The major U.S. users of HDI include Dupont, NL Industries, Mobay (owned by Bayer) and BASF-Inmont. There are also many smaller U.S. users.

Olin currently produces HDI at a rate of 500,000 pounds per year but by 1991 plans to produce at a rate of 10 million pounds per year. This would represent about half of current U.S. demand for HDI.

Olin faces aggressive price competition in the HDI market, including from imports. If imports can continue to enter the U.S. duty-free, this would have a significant inhibiting effect on Olin's plans for increased HDI production. After 1991 Olin will be able to export HDI, so it would be particularly anomalous if Olin's European competitors retained duty-free treatment in the U.S. market when Olin would continue to face high tariff barriers in the EC in the form of 13 percent import duties.

C. H.R. 1844 (1.5, napthalene diisocyanate)

Olin estimates that in 1988 imports of 1,5, napthalene diisocyanate ("NDI") were valued at $3 million or more (but not more than $10 million). These imports originate from Bayer's West German plant and represent 100 percent of U.S. consumption.

NDI is used for coatings and elastomers. Olin will probably begin NDI production at its Lake Charles plant by 1991. Olin is not aware of any other U.S. producers entering this market.

But certainly it is an unwarranted deterrent for any U.S. firm, and Olin in particular, for entry into the NDI market if the entrenched foreign producer will still be able to ship to the U.S. duty-free. The U.S. enjoys no such reciprocal benefits in the EC. Perpetuation of duty-free status for NDI increases the prospect that U.S. users (or their customers) must rely solely on one foreign-origin source of supply.

Conclusion

The continuation of duty-free status for imports of the three specialty isocyanate chemicals provides an unwarranted benefit to the entrenched and dominant European producers of these three products, particularly Bayer. Such treatment hinders Olin's efforts to become established as the only domestic source of these products. Domestic users of these products stand to gain from the establishment of a reliable domestic source. Olin must note again that the EC continues to impose 13 percent import duties on these products. In view of this one-sided tariff barrier, the U.S. should seek a phased reduction of isocyanate duties on a multilateral basis in the current Uruguay Round of GATT negotiations, rather than continue the harmful unilateral approach.

Alexander W. Sierck
Beveridge & Diamond, P.C.
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036
(202) 828-0200

Stuart N. Roth
Law Department
Olin Corporation
120 Long Ridge Road
Stamford, CT 06904
(203) 356-2480

Counsel for Olin Corporation

HENRY L. DIAMOND
ALBERT J. BEVERIDGE, III
HAROLD HIMMELMAN
CHRISTOPHER H. BUCKLEY, JR.
STEPHEN L. GORDON
ALEXANDER W. SIERCK
JOHN N. HANSON
ANDREW E. MISHKIN
WILLIAM N. HEDEMAN, JR.
CYNTHIA A. LEWIS
KARL S. BOURDEAU
JOHN S. GUTTMANN
DON G. SCROGGIN
GARY J. SMITH
BENJAMIN F. WILSON
ROBERT BRAGER
RICHARD S. DAVIS
THOMAS RICHICHI
J. DANIEL BERRY
DEAN H. CANNON
VIRGINIA S. ALBRECHT
BRIAN H. SIEGEL

OF COUNSEL
JOHN FRENCH III

SPECIAL COUNSEL
A. JAMES BARNES

LAW OFFICES
BEVERIDGE & DIAMOND, P. C.
SUITE 700
1350 I STREET, N. W.
WASHINGTON, D. C. 20005
(202) 789-6000

TELECOPIER (202) 789-6190
TELEX 3725538 BEVDIA WSH

SUITE 1202
101 PARK AVENUE
NEW YORK, N. Y. 10178
(212) 557-3358

BEVERIDGE & DIAMOND
ONE BRIDGE PLAZA
FORT LEE, N. J. 07024
(201) 585-8162

DONALD J. PATTERSON, JR.
PAUL E. SHORB
STEVEN F. HIRSCH
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MARK A. TURCO
THOMAS C. JACKSON
KATHRYN E. SZMUSZKOVICZ
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KENNETH S. KAUFMAN
CHARLES F. GAUVIN
MARC A. ZEPPETELLO
LISA MARIE MARTIN
CHERI C. WOLFF*
CHRISTOPHER W. MAHONEY
STEVEN M. JAWETZ
DEVARIESTE CURRY
DAVID M. FRIEDLAND
ALISON A. KERESTER
SUSAN J. KOROSTOFF
DOUGLAS B. WEINFIELD*
AARON H. GOLDBERG
DEBORAH R. GUIN
DEANNE L. AYERS-HOWARD*
JOHN T. S. WILLIAMS
SUSAN H. EPHRON
SHELLEY V. LUCAS
ELIZABETH A. GRISARU*
ALAN H. McCONNELL*
NANCY D. TAMMI*
KATHRYN B. FULLER*
ELIZABETH S. POLINER*
TERRY F. QUILL*

*NOT ADMITTED IN D. C.

WRITER'S DIRECT DIAL NUMBER

(202) 789-6014

July 21, 1989

BY HAND

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: H.R. 1844

Dear Mr. Leonard:

On May 31, 1989 we filed a statement on behalf of Olin Corporation opposing three duty suspension bills involving certain speciality isocyanate chemicals.

Olin hereby withdraws its opposition to H.R. 1844, which applies just to 1,5, napthalene diisoyanate ("NDI"). We are filing six copies of this letter.

Very truly yours,

Alexander W. Sierck

Alexander W. Sierck
Counsel for Olin Corporation

AWS/arb
Enclosures
00\08\0729\LTR\AWS.03

RHÔNE-POULENC

CORPORATE AFFAIRS DEPARTMENT
RHÔNE-POULENC INC.
METROPOLITAN SQUARE - SUITE 225
655 15TH STREET, N.W., WASHINGTON, D.C. 20005
TELEPHONE: (202) 628-0500
FAX: (202) 628-6822
JOSEPH J. MARTYAK
DIRECTOR

May 31, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

By this letter, Rhone-Poulenc Inc. ("Rhone-Poulenc" or the "Company") registers its comments in opposition to H.R. 1160, a bill to suspend temporarily the duty on octadecyl isocyanate.

Rhone-Poulenc manufactures high performance ceramics and rare earths in over 40 facilities in the United States. Rhone-Poulenc has made significant recent investments in isocyanate and polyisocyanate technologies and products. In March of 1988, Rhone-Poulenc brought on-stream its Freeport, Texas, facility which manufactures polyisocyanates for domestic and export markets. In addition, Rhone-Poulenc is presently considering expanding its domestic facilities to produce feedstocks used in the manufacture of these isocyanate and polyisocyanate products. The economic viability of these investments would be threatened by H.R. 1160.

Rhone-Poulenc Inc. has developed a product which will compete with octadecyl isocyanate, the subject of H.R. 1160. Rhone-Poulenc's ability to develop and market this isocyanate product is dependent upon its price competitiveness, which is impacted by the duty imposed upon octadecyl isocyanate. If the duty on octadecyl isocyanate is suspended, as provided for by H.R. 1160, Rhone-Poulenc's ability to develop and market a domestically produced competitive product, as well as its present and future investment in isocyanate technology, will be threatened. For these reasons, Rhone-Poulenc respectfully urges the Committee not to enact H.R. 1160.

Sincerely,

Joseph J. Martyak

Joseph J. Martyak

---

* Rhone-Poulenc Inc. is the wholly owned subsidiary of Rhone-Poulenc S.A., a French corporation.

3M Tax Division

Building 220-6E-02, 3M Center
St. Paul, Minnesota 55144-1000

3M

May 24, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard

RE: Mondur O (Octadecylisocyanate)/House Bill #1160

We want to add our support to House Bill Number 1160 requesting duty suspension on Octadecylisocyanate. Octadecylisocyanate is an important intermediate chemical which is used in manufacturing.

It is not manufactured in the United States nor is there an acceptable substitute. Suspension of duty will enable us to remain competitive in world markets.

Sincerely,,

Kenneth A. Kumm
Manager, Customs and Trade Affairs

:elb
c: J. R. Frahm - 01/001
M. A. Johnson - 01/001
M. J. Sam - 224-1N-04
D. G. Weist - 224-1N-04

H.R. 1184

To suspend temporarily the duty on furniture, seats, and parts thereof of unspun fibrous vegetable materials.

artisan
imports
ltd. P.O. Box 341 Burleson, TX 76028 phone: (817) 295-8131 telex: 758288 Artisan BUSN

May 26, 1989

Mr. Robert J. Leonard
Cheif Counsel
Committe on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

I am writing to you to express my support for H.R. 1184, a duty-suspension bill for furntiure, seats and parts thereof made of unspun fibrous vegetable materials.

Our continued growth relies heavily on our international capabilities. Passage of H.R. 1184 will help us continue to provide quality products to consumers, assure stable career opportunities for those working in the specialty retail industry and allow for improved business growth opportunities for retail merchants.

I urge you to pass H.R. 1184 as soon as possible. If you need any additional information, please do not hesitate to call.

Sincerely,

Bernard E. Maduzia

Vice President
Artisan Imports, Ltd.

BM/rb

CANE AND REED IMPORTS, INC.

5-23-89

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

I am writing to you to express my support for H.R. 1184, a duty-suspension bill for furniture, seats and parts thereof made of unspun fibrous vegetable materials.

Our continued growth relies heavily on our international capabilities. Passage of H.R. 1184 will help us continue to provide quality products to consumers at affordable prices as well as continued growth and the creation of additional jobs in the wholesale and retail sectors as well as their many offshoots.

I urge you to pass H.R. 1184 as soon as possible. If you need any additional information, please do not hesitate to contact me.

Sincerely,

Steven Wong
President

cc: Rep Tom Lantos

280 HARBOR WAY • SOUTH SAN FRANCISCO, CALIFORNIA 94080
TELEPHONE (415) 589-8822 • TELEX 67617 CANREED

GRAND
BASKET CO. INC.
RATTAN FURNITURE CO. INC.

May 25, 1989

Mr. Robert J. Leonard,
Chief Council
Committee On Ways And Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

We are writing to you in support for H.R. 1184, a duty-suspension bill for furniture, seats and parts thereof made of unspun fibrous vegetable materials.

The suspension of duties on this classification will not adversely effect any domestic industry. The passage of H.R. 1184 will allow us to lower our costs and in turn lower our selling prices to mass merchants throughout the country. The final result will be lower prices for the consumer, which in turn should stimulate growth for these retail merchants.

Should you require additional information or wish to discuss this matter further, please do not hesitate to call upon us.

Very truly yours,

GRAND BASKET CO., INC.
GRAND RATTAN FURNITURE CO., INC.

Steven Sauer
Vice President

SS:cs

53-06 GRAND AVENUE, MASPETH, N.Y. 11378 • TEL: (718) 386-6400 (800) 327-2978 • FAX: (718) 417-0910 • TELEX: 422907 GRANBAS

HING INC. MANUFACTURER OF RATTAN FURNITURE

295 KANSAS ST.
SAN FRANCISCO, CA 94103
(415) 863-3356

May 25, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

This letter is written to urge you to pass H.R. 1184 without delay. It would suspend the import duty on furniture made of unspun, fibrous vegetable materials.

The beneficial effects of the passage of H.R. 1184 would extend far beyond the doors of Hing, Incorporated. Our prosperity and expansion spills over into related industries, such as trucking, glass, paint, upholstery, interior decorating, and many others. In addition, reasonably priced, quality products are in everyone's best interest.

If you will telephone or write me, I will be more than happy to provide you and the committee with any other information which is required in order to make a decision.

Very truly yours,

Michael T. Howley

Michael T. Howley
General Manager

cc: Nancy Pelosi, Member of Congress

FINE RATTAN FURNITURE FOR OVER 35 YEARS

MARVIN L. WALKER & ASSOCIATES, INC.
MAILING ADDRESS: P. O. BOX 5800 • NORCROSS, GA 30091-5800
SHIPPING ADDRESS: 3045 KINGSTON COURT • NORCROSS, GA 30071-1290
(404) 446-0030 (800) 444-4470 TELEX-261348 WALKER UR
FAX: (404) 446-6570

June 7, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longsworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

Relative to your duty-suspension bill H.R. 1184 making reference to the suspension for five years of the 7.5 percent ad valorem duty rate, I wish to express my support.

One of the few product areas in the world where the expertise of hand-made and hand-woven materials are the major source of income, it makes little sense to reduce their market appeal in the United States by imposing a 7.5 duty on these goods. Not only do we inhibit the importations, but we reduce the cadare of U.S. employees directly related to the sales of rattan, wicker and buri furniture. This has been a major product category of the home furnishings industry.

I urge you to pass H.R. 1184 with all due haste.

Thank you for your consideration.

Yours truly,

William Parker

William E. Parker

WEP/lp

cc: Marvin Girouard

301 Commerce Street Suite 600
Fort Worth, Texas 76102
(817) 878-8000 Telex 758435

Pier 1 imports

May 23, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

On behalf of Pier 1 Imports, I am writing to express support for H.R. 1184, a duty suspension bill for furniture made of unspun fibrous vegetable materials.

H.R. 1184 is a noncontroversial bill which has met with no domestic opposition. Passage of this legislation would benefit more than one hundred U.S. companies by lowering import costs. This bill would also help consumers by making it possible for Pier 1 Imports and other companies to continue providing quality products at affordable prices.

For these reasons, we strongly urge you to consider this legislation favorable. If you would like to discuss this matter further, please do not hesitate to call.

Sincerely,

Dave Tidmarsh
Director of Merchandising Services

cc: Marvin Girouard, President, Pier 1 Imports
Dick Armey, Congressman

Polar Island
CORPORATION
MANUFACTURERS
IMPORTERS
DISTRIBUTORS
611 EAST 133 ST
BRONX, N Y 10454
TELEX 960895
POLAR ISLAND
TEL 212-665-1707
FAX-212-402-8721

May 23, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

I am writing to you to express my support for H.R. 1184, a duty-suspension bill for furniture, seats and parts thereof made of unspun fibrous vegetable materials.

Our continued growth relies heavily on our international capabilities. Passage of H.R. 1184 will help us continue to provide quality products to consumers, assure stable career opportunitues for those working in the specialty retail industry and allow for improved business growth opportunities for retail merchants..

I urge you to pass H.R. 1184 as soon as possible. If you need any additional information, please do not hesitate to call.

Sincerely,

POLAR ISLAND CORP.

DEAN DELA PENA
President

DDP:ssm

cc: Congressman Robert Garcia

WICKER ■ RATTAN FURNITURE ■ BASKETWARES ■ WALL DECOR ■ GIFT ITEMS

WICKER WORLD ENTERPRISES, INC.

May 24, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard,

I am writing to you to express my support for H.R. 1184, a duty-suspension bill for furniture, seats and parts thereof made of unspun fibrous vegetable materials.

Every year our company continues to provide additional job opportunities via direct sales of products which include furniture effected by this bill. Since it is a product category that is not a threat to other domestic industries, I feel that the support that this bill would give to my company can only augment our economy through improved business growth opportunities, most particularly, through the continued creation of new jobs.

WICKER WORLD
800 N. Edgewood Avenue • Wood Dale, Illinois 60191
312-860-5452

I urge you to pass H.R. 1184 as soon as possible. If you need any additional information, please do not hesitate to call.

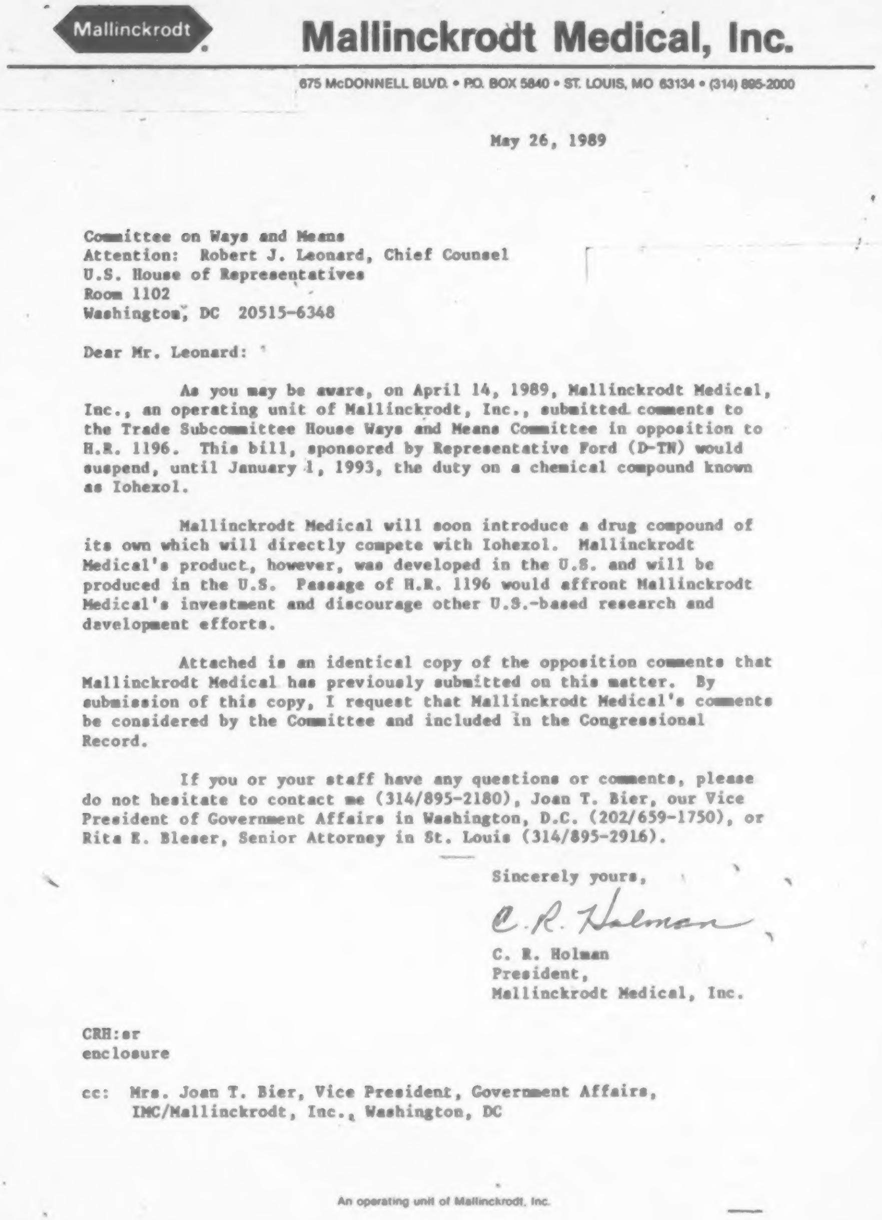
Sincerely,

Madolyn Schwartz

Madolyn Schwartz
President
Wicker World Enterprises, Inc.

H.R. 1196

To suspend until January 1, 1993, the duty on iohexol.



Mallinckrodt
Mallinckrodt Medical, Inc.
675 McDONNELL BLVD. • P.O. BOX 5840 • ST. LOUIS, MO 63134 • (314) 895-2000

May 26, 1989

Committee on Ways and Means
Attention: Robert J. Leonard, Chief Counsel
U.S. House of Representatives
Room 1102
Washington, DC 20515-6348

Dear Mr. Leonard:

As you may be aware, on April 14, 1989, Mallinckrodt Medical, Inc., an operating unit of Mallinckrodt, Inc., submitted comments to the Trade Subcommittee House Ways and Means Committee in opposition to H.R. 1196. This bill, sponsored by Representative Ford (D-TN) would suspend, until January 1, 1993, the duty on a chemical compound known as Iohexol.

Mallinckrodt Medical will soon introduce a drug compound of its own which will directly compete with Iohexol. Mallinckrodt Medical's product, however, was developed in the U.S. and will be produced in the U.S. Passage of H.R. 1196 would affront Mallinckrodt Medical's investment and discourage other U.S.-based research and development efforts.

Attached is an identical copy of the opposition comments that Mallinckrodt Medical has previously submitted on this matter. By submission of this copy, I request that Mallinckrodt Medical's comments be considered by the Committee and included in the Congressional Record.

If you or your staff have any questions or comments, please do not hesitate to contact me (314/895-2180), Joan T. Bier, our Vice President of Government Affairs in Washington, D.C. (202/659-1750), or Rita E. Bleser, Senior Attorney in St. Louis (314/895-2916).

Sincerely yours,

C. R. Holman

C. R. Holman
President,
Mallinckrodt Medical, Inc.

CRH:sr
enclosure

cc: Mrs. Joan T. Bier, Vice President, Government Affairs,
IMC/Mallinckrodt, Inc., Washington, DC

An operating unit of Mallinckrodt, Inc.

Commentator: Mallinckrodt, Inc.
Legislation: H.R. 1196
Date: April 13, 1989

Mallinckrodt Medical, Inc., an operating unit of Mallinckrodt, Inc. ("Mallinckrodt"), a U.S. manufacturer and distributor of medical products for the U.S. healthcare market, opposes and recommends the defeat of H.R. 1196 which would allow for suspension of tariff duties on N,N'-Bis(2,3 dihydroxypropyl)-5[N-(2,3-dihydroxypropyl)-acetamidol-2,4,6-triiodoisophthalamide, known as IOHEXOL. Sterling Drugs, Inc. ("Sterling") formulates IOHEXOL in the U.S. to produce its product, Omnipaque, a nonionic contrast media agent.

Mallinckrodt recently received FDA approval for and will soon begin marketing its product, Optiray, incorporating N,N'-bis(2,3-dihydroxypropyl) -5-[N- (2-hydroxyethyl)--gylcolamido]-2,4,6-triiodoisophthalamide to compete with Omnipaque in the *in vivo* diagnostic, nonionic contrast media market. Mallinckrodt's product was developed within the United States, and was the culmination of approximately ten (10) years of research and development effort, including the multi-million dollar, state-of-the-art manufacturing facility in the United States. Mallinckrodt's research, development and manufacturing investment in Optiray will provide a solely U.S.-produced supply of nonionic contrast media to compete with Sterling's Omnipaque.

Suspension of duty on Iohexol, by passage of H.R. 1196, affronts Mallinckrodt's investment and will discourage other U.S.-based research and development efforts in this market. Sterling is the U.S. market leader in nonionic contrast media, with current annual sales of approximately $200 million. With Sterling already having a dominant market position in the U.S., suspension of duties on Iohexol could result in increasing Sterling's market share and dominance in the contrast media market. Such actions discourage the investment of resources within the medical industry and stymie the development of new products and improved patient care.

BACKGROUND

Iodinated contrast media are used in a variety of diagnostic procedures in radiology and cardiology departments (approximately 12 million procedures annually). Most commonly, they are injected into the venous or arterial circulation and distributed to the area of interest within the patient. Radiographic techniques are then used to obtain and record the images for subsequent evaluation.

Traditionally, such injections can be associated with a wide variety of patient side effects. These range in severity from mild, nuisance-type reactions (pain, burning sensation, nausea, etc.) to severe, life-threatening episodes (breathing difficulties, changes in blood pressure, heart rhythm and rate changes, and other cardiovascular or hypersensitivity reactions). Clinical data suggest the incidence of fatal reactions to fall in the range of one death per each 10,000 to 100,000 injections.

In an attempt to improve on this performance, significant research has been directed toward the identification and development of compounds capable of providing appropriate diagnostic efficacy, while reducing the frequency and/or severity of side effects associated with their use. Due to the suspected involvement of "hyper-osmolality" of conventional agents in many of these reactions, efforts were concentrated on reducing the inherent "osmolality" of these compounds.

One way such improvements may be obtained is by creating a molecule which does not "ionize" (dissociate into anion and cation components). These agents deliver equivalent iodine with only half the "conventional" osmotic load. Products falling into this category are commonly referred to as "nonionics".

As a class, nonionic agents achieve significant advantages over their "conventional" predecessors in patient tolerance. Until the introduction of Mallinckrodt's competitive Optiray, the available agents, including Omnipaque (IOHEXOL) are all licensed from their European owners to U.S.-based distributors.

MALLINCKRODT'S AND STERLING'S PAST LEGISLATIVE EFFORTS

Sterling had sought tariff relief for its Omnipaque product last session. Mallinckrodt had also sought tariff relief for another of its products, Hexabrix, a low osmolality contrast medium, during that same session.[1] Both companies' efforts failed.

Unlike Sterling, however, Mallinckrodt is not again seeking tariff relief for its imported product. Mallinckrodt's introduction of its U.S.-developed and produced Optiray product make such relief unnecessary to ensure an adequate supply of these important and valuable radiographic aids to the U.S. market.

---

[1] Low Osmolality products offer many of the same advantages of the nonionic products over conventional agents. However, these advantages are achieved in Hexabrix by incrdeasing the amount of iodine per molecule while retaining the product's ionic structure rather than creating a nonionic molecule as with Omnipaque and Optiray.

CONCLUSION

Mallinckrodt has made a substantial investment in the development of a nonionic contrast media to compete with European-owned agents which have been licensed to Mallinckrodt's competitors. Passage of H.R. 1196 would provide U.S. governmental encouragement of the importation of European products to the detriment of a soon-to-be introduced U.S. product. Such support of foreign-owned technology at the expense of U.S. research and development efforts not only contradicts current balance of trade goals, but also defeats positive efforts to reduce the tremendous budget deficit.

Comments: Sterling Drug Inc.
Legislation: HR 1196
Date: May 31, 1989

Background:

N.N.'Bis(2,3-dihydroxypropyl)-5-[N-(2,3-dihydroxypropyl)-acetamido]-2,4,6-triiodoisophthalamide is the chemical name of iohexol. Iohexol is the active agent in Ominpaque, a second-generation nonionic radiodiagnostic agent for use in a wide range of imaging procedures. Omnipaque is used in visualization of organs, veins, arteries and the spinal canal, and is marketed by Sterling Drug.

A U.S. based company, Sterling is a leading worldwide pharmaceutical and consumer products manufacturer with operations in more than 120 countries. Other well-known brands include Bayer aspirin, Phillips' milk of magnesia and Lysol household products. Sterling is a subsidiary of Eastman Kodak Company.

Sterling is the only commercial producer of iohexol in the United States. Iohexol is the first of the second-generation nonionic radiodiagnostic agents to become available in the U.S.

Contrast agents are used in x-ray examinations to enable diagnosticians to improve the quality of the images they are producing. In the United States some 12 million procedures per year are enhanced with contrast agents. Many patients undergoing these procedures are elderly and seriously ill.

Iohexol is a recently introduced, novel contrast agent. As compared with the conventional agents which preceded it, the key benefit provided is an improved safety profile, making nonionic contrast agents ideal for all patients, and especially for high risk and elderly patients. However, because it is more expensive to produce than conventional agents, its use has been limited to some degree to high risk patients; often, these patients are elderly. In the aggregate, iohexol is currently used to perform approximately 15% of all patient examinations.

Economic Concerns:

By nature, costs attributed to the early stages of production, i.e., duty on raw materials, are compounded at each step of production and distribution. The consequent ultimate effects on the consumer is a cost factor significantly higher than the original duty. In the case of iohexol, that burden often falls on those least able to afford it--the elderly and critically ill. In some cases, perhaps an increasing number of cases with the passage of the catastrophic care bill, those costs will be covered by Medicare. There is little to be gained by the Treasury when the income from the duty is more than offset by the compounded costs being reimbursed. In a general population, severe asthma, cardiac disease or renal disease are the circumstances of large numbers of patients having difficulty meeting their health care costs, as well as patients within the Medicare population.

This important therapeutic breakthrough was first made by a foreign company and licensed to Sterling for the U.S. market. This allowed U.S. health care practitioners early access to an important technological advancement. The medical and product development for iohexol is continuing to be conducted in the U.S. Duty suspension would enable Sterling to continue to develop a viable market for newer and safer nonionic agents now in development. By 1993, it is estimated Sterling will have invested approximately $147 million in development and capital costs associated with iohexol and successor products.

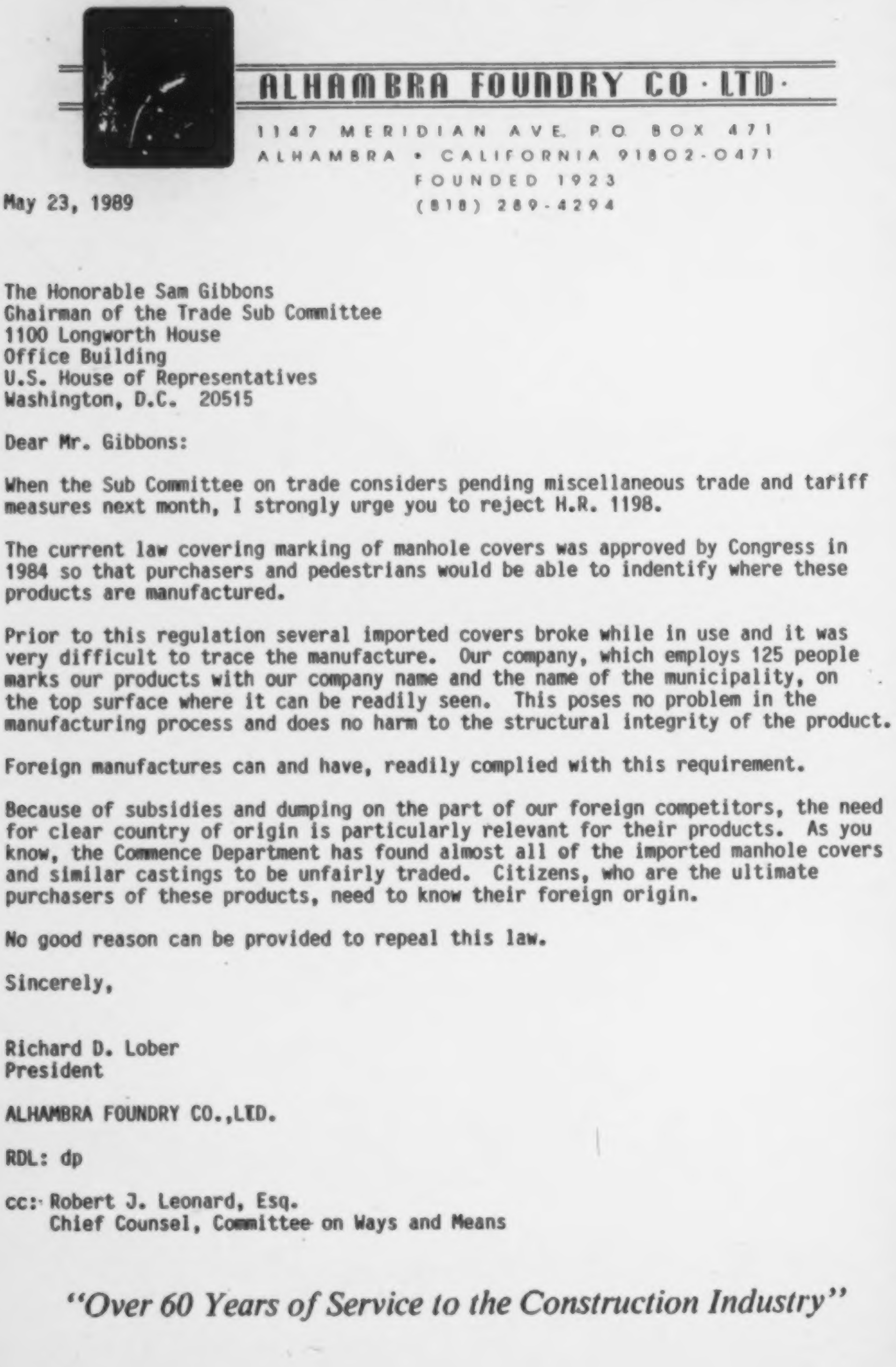
Recently, Mallinckrodt received FDA approval for its U.S. developed nonionic contrast agent, Ioversol. As a product produced exclusively in the U.S., no duty will be charged to Mallinckrodt. Suspension of the duty on iohexol would afford Sterling a competitive cost structure with Mallinckrodt's Ioversol, enabling consumers to derive maximum benefit from a competitive U.S. marketplace.

Conclusion:

In summary, temporary suspension of the duty on iohexol would permit maintenance of competitive pricing structures and encourage the domestic use of all nonionic agents, which are safer alternatives to the ionic agents. It would reduce the inflationary impact on elderly and high risk patients whose physicians prescribe this safer nonionic product. No U.S. workers would be harmed by the proposed suspension. It would permit Sterling to develop a further need to expand current chemical and pharmaceutical manufacturing capacity.

H.R. 1198

To amend the country of origin marking law requiring that imported manhole rings or frames, covers, and assemblies thereof be marked on the top surface.



ALHAMBRA FOUNDRY CO · LTD ·
1147 MERIDIAN AVE. P.O. BOX 471
ALHAMBRA • CALIFORNIA 91802-0471
FOUNDED 1923
(818) 289-4294

May 23, 1989

The Honorable Sam Gibbons
Ghairman of the Trade Sub Committee
1100 Longworth House
Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Gibbons:

When the Sub Committee on trade considers pending miscellaneous trade and tariff measures next month, I strongly urge you to reject H.R. 1198.

The current law covering marking of manhole covers was approved by Congress in 1984 so that purchasers and pedestrians would be able to indentify where these products are manufactured.

Prior to this regulation several imported covers broke while in use and it was very difficult to trace the manufacture. Our company, which employs 125 people marks our products with our company name and the name of the municipality, on the top surface where it can be readily seen. This poses no problem in the manufacturing process and does no harm to the structural integrity of the product.

Foreign manufactures can and have, readily complied with this requirement.

Because of subsidies and dumping on the part of our foreign competitors, the need for clear country of origin is particularly relevant for their products. As you know, the Commence Department has found almost all of the imported manhole covers and similar castings to be unfairly traded. Citizens, who are the ultimate purchasers of these products, need to know their foreign origin.

No good reason can be provided to repeal this law.

Sincerely,

Richard D. Lober
President

ALHAMBRA FOUNDRY CO.,LTD.

RDL: dp

cc: Robert J. Leonard, Esq.
Chief Counsel, Committee on Ways and Means

"Over 60 Years of Service to the Construction Industry"

STATEMENT
of the
AMERICAN CAST METALS ASSOCIATION
to the
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

IN OPPOSITION TO H.R. 1198

May 31, 1989

The American Cast Metals Association (ACMA) joins the Municipal Castings Fair Trade Council (MCFTC) in opposing H.R. 1198 which would eliminate the requirement that imported construction castings (manhole rings or frames, etc.) be marked on the top surface with country of origin identification.

ACMA represents 360 iron, steel, and nonferrous foundries throughout the United States which are responsible for 65 percent of the castings tonnage produced today in this country.

Most member companies of the MCFTC are also members of ACMA.

MCFTC's May 31, 1989 statement to the Subcommittee on Trade -- opposing H.R. 1198 -- outlines accurately the history and need for country of origin markings as carried in Section 304 of the Tariff Act of 1930.

In addition to reasons cited by the MCFTC in opposition to H.R. 1198, ACMA would add these:

1. Top surface country of origin marking requirements on construction castings are similar to truth in labelling requirements on clothing or ingredient listings on food products.

They provide the purchaser of construction castings with an informed freedom of choice. An informed choice would not be his if marking requirements were eliminated.

Foreign sellers, before H.R. 1198 was law, have gone to great lengths to conceal the origin of their castings. Origin markings when they appeared at all, were hidden when the casting was in place. Sometimes, names resembling those of U.S. foundries were prominently marked on the casting.

2. American foundries which produce construction castings have product liability insurance which costs thousands of dollars per year. If their product is at fault, their insurance will pay damages.

However, few -- if any -- foreign manufacturers are known to carry product liability insurance. If you purchase foreign construction castings without liability insurance, your only recourse in case of accident will be to sue in the producer's native courts. This backs you into a no-win corner, much like signing a hold harmless.

3. Many construction castings customers such as contractors, city engineers and purchasing agents have expressed the desire to purchase only castings made in the United States for quality assurance, traceability and patriotic reasons. There are those who simply believe that American made products have value added because they provide jobs and income for U.S. citizens and tax revenue for the United States Government.

Passage of H.R. 1198 would deny those Americans who wish to buy American made products -- for whatever reasons — an opportunity to do so.

4. According to a "Competitive Assessment of the U.S. Foundry Industry" done in 1984 (as Investigation 332-176) by the International Trade Commission:

"Import penetration has been and is expected to continue to be most significant in the area of standardized, simple-to-manufacture, price-sensitive castings, such as iron construction castings, fittings, and valves." (emphasis supplied)

Domestic construction castings producers are continuously challenging, in trade law courts, the dumping and subsidized behavior of foreign producers. Passage of H.R. 1198 would add to this burden of costly litigation because the floodgate of foreign made construction castings would open even wider.

In conclusion, approval of H.R. 1198 would start again the costly debate over the need for readily visible identification of foreign made items which often compete unfairly with American made products.

The American Cast Metals Association urges the Subcommittee on Trade to reject H.R. 1198.

CAMPBELL FOUNDRY COMPANY
800 BERGEN STREET
HARRISON, NEW JERSEY 07029
NJ (201) 483-5480
NY (212) 732-9714
CT (203) 288-7584

May 23, 1989

Mr. Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways & Means
1100 Longworth
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Leonard:

I am writing you on behalf of my Company and its almost 300 employees to urge that you reject H.R. 1198 when the Subcommittee on Trade considers it next month.

H.R. 1198 deals with country of origin markings on imported manhole frame and cover assemblies. In 1984 Congress approved legislation calling for legible country of origin markings on the top surface of these castings, where they could be easily identified by purchasers. This was deemed necessary by Congress inasmuch as many of these products were not being marked at all or in such a place as would hide the marking from the consumer.

Campbell Foundry Company marks all of our products with pattern numbers, foundry codes, municipal legends, etc. This practice poses no manufacturing or marketing problem nor does it lessen or weaken the product in any way.

We strongly feel that in light of subsidies and dumping by our foreign competitors the need for clear, visible country of origin markings on our product is important. There is no good reason to repeal this law; let's continue to inform our citizens of the origin of their foreign products.

Very truly yours,

CAMPBELL FOUNDRY COMPANY

John Campbell
President

JC:gro

Deeter Foundry, Inc.

5945 North 70th St. P.O. Box 29708 Lincoln, Nebraska 68529 Phone: 402/464-7466

May 26, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
1100 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Leonard:

When the Subcommittee on Trade considers pending miscellaneous trade and tariff measures next month, I strongly urge you to reject H.R. 1198.

On behalf of Deeter Foundry, Inc., I urge you not to repeal the current law which requires that imported manhole rings or frames, covers and assemblies thereof be marked on the top surface. The Congress approved this legislation in 1984 so that purchasers and pedestrians would be able to identify where these products are manufactured. The amendment was necessary to prevent imports from circumventing the country of origin marking law by not marking the product at all or marking it on a place that could not be seen by the ultimate purchaser. No good reason can be provided to repeal this law.

Our company, which employs 100 people, regularly marks our products with the appropriate information, such as the name of our company and the name of the municipality, on the top surface where it can be readily seen. This poses no problem in the manufacturing process and does no harm to the structural integrity of the product. Foreign manufacturers can, and have, readily complied with this requirement.

Indeed, because of subsidies and dumping on the part of our foreign competitors, the need for clear country of origin is particularly relevant for these products. As you know, the Commerce Department has found almost all of the imported manhole covers and similar castings to be unfairly traded. Citizens, who are the ultimate purchasers of these products, need to know their foreign origin.

There is simply no justification under the current technology and market conditions to repeal this law.

Sincerely,

DEETER FOUNDRY, INC.

Douglas E. Deeter, President

GRAY IRON CASTINGS

EAST JORDAN IRON WORKS, INC.
P.O. Box 439 • East Jordan, Michigan 49727 • (616) 536-2261

June 6, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
1100 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Leonard:

It has been brought to my attention that the Subcommittee on Trade, of the Committee on Ways and Means, is reconsidering existing trade and tariff measures in H.R. 1198. I strongly urge you to reject H.R. 1198.

I urge you not to repeal the current law which requires that imported manhole frames, covers, and assemblies be marked on the top surface. The Congress approved this Legislation in 1984 so that purchasers, specifying agencies, and the general public would be able to identify where these products are manufactured. The amendment was necessary to prevent imports from circumventing the country of origin marking law by not marking the product at all or marking it in a place and manner that could not be seen or located.

East Jordan Iron Works, Inc. is based in East Jordan, Michigan, U.S.A. Our company employs over 500 people and has served the sewer and water business since 1883, we manufacture manhole frames and covers. All of our products are made in the U.S.A. We have offices in Grand Rapids, Lansing, and Detroit Michigan, Chicago, Illinois, Cleveland and Columbus Ohio. We have distributors from Baltimore, Maryland to Omaha, Nebraska.

We mark all our products with the appropriate information (i.e. company name, municipality name, country of origin: MADE IN THE USA) on the top surface where it can be readily seen. This poses no problems in the manufacturing process nor does it harm the structural integrity of the product. It is in fact unfortunate that the current import marking laws do not also require the name of the foreign manufacturer imprinted on the products that they make. Foreign manufacturers can and have complied with the current marking laws to date.

The Commerce Department has found almost all of the imported manhole frames and covers to be unfairly traded. Further determinations require the clear need for properly labeling the "Country of Origin." It has been proven in numerous cases that our foreign competitors rely heavily on subsidies and dumping strategies.

Citizens, Engineers, Governmental Agencies and Contractors all need to know the foreign origin of these products.

Sincerely,

Frederick F. Malpass

Frederick F. Malpass
President

FFM:sd

Le BARON FOUNDRY INC.

DESIGNERS AND MANUFACTURERS OF AMERICAN
MADE IRON CASTINGS AND CONSTRUCTION SUPPLIES

14 EAST UNION STREET
P.O. BOX 746

BROCKTON, MASS. 02403
AREA 617 588-3130

May 22, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
1100 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Leonard:

When the Subcommittee on Trade considers pending miscellaneous trade and tariff measures next month, I strongly urge you to reject H.R. 1198.

On behalf of LeBaron Foundry Inc., I urge you not to repeal the current law which requires that improted manhole rings or frames, covers, and assemblies thereof be marked on the top surface. The Congress approved this legislation in 1984 so that purchasers and pedestrians would be able to identify where these products are manufactured. The amendment was necessary to prevent imports from circumventing the country of origin marking law by not marking the product at all or marking it on a place that could not be seen by the ultimate purchaser. No good reason can be provided to repeal this law.

Our company, which employs 95 people, regularly marks our products with the appropriate information, such as the name of our company and the name of the municipality, on the top surface where it can be readily seen. This poses no problem in the manufacturing process and does no harm to the structural integrity of the product. Foreign manufacturers can, and have, readily complied with this requirement.

Indeed, because of subsidies and dumping on the part of our foreign competitors, the need for clear country of origin is particularly relevant for these products. As you know, the Commerce Department has found almost all of the imported manhole covers and similar castings to be unfairly traded. Citizens, who are the ultimate purchasers of these products, need to know their foreign origin.

There is simply no justification under the current technology and market conditions to repeal this law.

Sincerely yours,

James S. Troup

James S. Troup
Treasurer

JST:dab

American Cast Metals Association
American Foundrymen's Society
Construction Industries of Massachusetts
Utility Contractor's Association

ACMA
AMERICAN CAST METALS ASSOCIATION

STATEMENT OF THE MUNICIPAL CASTINGS FAIR TRADE COUNCIL

INTRODUCTION

The Municipal Castings Fair Trade Council appreciates the opportunity afforded by the Subcommittee on Trade to comment on H.R. 1198, a bill by Congressman Green of New York to delete the requirement that imported manhole rings or frames, covers, and assemblies therefore be marked on the top surface of the product. The Municipal Castings Fair Trade Council ("MCFTC"), a coalition of domestic foundries, vigorously opposes H.R. 1198.

Member of the MCFTC produce manhole covers, rings and frames, catch basins, grates and frames, and other such products used for drainage or access to public utility, water and sanitary systems as well as valve, service and meter boxes, which are placed below ground to encase water, gas or other valves or meters. Members of the MCFTC are located throughout the United States. A complete list of the MCFTC members is attached as Appendix A.

HISTORY OF THE PROVISION

The country of origin marking law, which appears at section 304 of the Tariff Act of 1930 (19 U.S.C. § 1304), generally requires that every article of foreign origin imported into the United States shall be marked in a conspicuous place as legibly, indelibly and permanently as the nature of the article will permit in such a manner as to indicate to an ultimate purchaser in the United States the English name of the country of origin of the article. The U.S. Customs Service recognized in 1979 when it issued specific country of origin marking requirements for imported manhole covers and frames (44 Fed. Reg. 27,385 (May 10, 1979)), that country of origin markings were not being uniformly applied to imported manhole covers and frames. Despite Customs Service efforts to obtain uniform country of origin marking through its 1979 notice and subsequent actions, importers continued to improperly mark at all or failed to mark conspicuously the country of origin of imported manhole covers and frames.

Many manhole covers and frames are bought by municipalities from importers. Even though the taxpayers and citizens of municipalities were actually the ultimate purchasers of the manhole covers and frames, country of origin marking was not being implemented in a way for either the municipal officials (in some cases) or the taxpayers to know where the purchased castings had been produced. Indeed, if the castings were being marked, they were being marked in inconspicuous places, such as underneath the manhole cover, so that citizens who saw the castings in the street were unable to determine the country of origin.

Following testimony on this topic before the Senate Finance Committee in 1984, the Finance Committee adopted an amendment to H.R. 3398, which later became the Trade and Tariff Act of 1984, requiring country of origin marking on the top surface of the manhole cover and frame. The 1984 amendment, which corrected problems with respect to imported pipes and compressed gas cylinders as well, provided in pertinent part that:

> No exception could be made [from the country of origin marking requirement] with respect to manhole rings or frames, covers, and assemblies thereof each of which shall be marked on the top surface with the English name of the country of origin by means of die stamping, cast-in-mold lettering, etching, or engraving.

The best explanation for the Senate Finance Committee's action quite naturally is contained in the Finance Committee Report:

> The bill.—Section 206 would require pipe rings, and pipe fittings, metal pressure containers, and manhole covers, and assemblies thereof, to contain a die stamped, cast-in-mold etching or engraved marking of the country of origin.
>
> Reasons for provision.—There appears to have been significant evasion of the law with regard to these articles. For example, manhole covers, rings, and assemblies thereof are made of iron. Usually the undersurface of these materials is ribbed, with a rough and irregular surface. Information obtained by the committee suggests that the marking requirements is [sic] ordinarily met by marking the country-or-origin [sic] on the underside or the edge of the manhole cover and on the underside of the ring. Frequently in current

> practice the ring is embedded in concrete obscuring the marking, and in any event the rough surface invites destroying the marking since it is difficult to detect that a marking has been destroyed under these circumstances. The industry and the Customs Service report that consultation and administrative proceedings have not resulted in a resolution of this problem. Apparently the current law, which requires "conspicuous" marking, is not held to extend to obscure marking on the underside of a manhole cover. This interpretation is based on the fact that citizens of the cities in which manhole covers from abroad are installed are not the purchasers of these covers; the city governments themselves are. Under the circumstances in which manhole covers and assemblies are used, the committee felt, however, notwithstanding the Service's interpretation of current law, it would be more appropriate to require the labeling of these matters where the public—which is the ultimate purchaser and user of the item--would be informed of its origin in accordance with the general intention of the U.S. marking law.

S. Rep. No. 98-30840, pp. 32-33. As indicated by this passage, the Finance Committee thoroughly considered the provision with respect to manhole cover marking and made a reasoned judgment to adopt it.

The full Senate adopted this provision and in the conference committee with the House of Representatives, the House agreed to the provision as well. The provision with respect to country of origin marking on manhole covers therefore has been in effect since the enactment of the 1984 Act.

PRESENT LAW SHOULD BE RETAINED

No statement of introduction accompanied H.R. 1198, so the rationale for the bill remains uncertain. However, to aid the Subcommittee in its deliberations, the MCFTC below attempts to anticipate some of the arguments that might be raised by importers of castings and present our views on such arguments.

1. Country of origin Marking on the Top Surface Presents No Technical or Production Related Problems

Unlike some other products for which country of origin marking may be difficult to implement because of the nature of the production process or the complexities of the labelling requirements for particular containers, there are no such difficulties for marking the tops of manhole covers and frames. Both U.S. and foreign producers regularly mark the top surfaces of manhole covers with the names of municipalities such as "City of Houston" or the name of the type of application involved such as "sewer." Generally, both foreign and U.S. producers are quite capable of and frequently do put their own company names on the top surface of their manhole covers. Moreover, foreign producers have since 1984 been marking the top surface of the manhole covers with the foreign country of origin without incurring any difficulty. A picture of a properly marked manhole cover in use in the streets of New York City appears in the article attached as Appendix B. Thus, there simply is no difficulty in marking the top surface of the manhole cover or frame with country of origin.

2. Country of Origin Marking on the Top Surface of the Manhole Cover Does Not Present a Non-Tariff Trade Barrier

No legitimate argument can be made that requiring marking on the top surface of the manhole cover is a non-tariff trade barrier. As indicated above, there is no technical difficulty in performing such marking. Moreover, having faced the requirement of marking on the top surface of manhole covers since 1984, there is no demonstrable evidence that imports into the United States of such products have been hindered. Statistics published by the U.S. Department of Commerce indicate that total imports of manhole covers, rings and frames of non-malleable cast iron amounted to 115,361,000 pounds in 1984. By 1988, that figure had increased by 144,150,000 pounds, almost a 25 percent increase. Thus, the country of origin marking requirement has not impeded imports' access to the U.S. market.

Why, then, do importers want country of origin marking removed from the top covers of manholes? Perhaps certain municipal purchasing agents that have bought imported manhole covers are embarrassed to have a foreign country of origin marking on such covers and are chagrined that members of the taxpaying public, including journalists, might express concern about such foreign purchases. For example, a November 19, 1988 New York Times article carried a picture of a manhole cover with a foreign country of origin marking and discussed in some detail the author's view that purchases of imported manhole covers were related to the decline of the U.S. industrial base. A copy of that article is attached as Appendix B. The article, by Michael C.D. Macdonald, stated, among other things:

> In details, disaster: for the want of a nail, a kingdom lost, to hairpins in Hyde Park or a manhole cover in Greenwich Village.
>
> . . .
>
> Today, a manhole cover in Greenwich Village at Grove and West 4th Streets reflects another superpower's decline. On the manhole cover appears the usual "N.Y.C. Sewer." Below this, however, is an ominous "Made in China." Not only is City Hall buying supplies from a Communist dictatorship, but here is foreign manhole cover in what had once been the biggest factory town on earth.
>
> My earliest reflections on manhole covers were pleasant ones, during walks along Riverdale's rural lanes in the northwest Bronx. . . . Most of these manhole covers boasted "Made in Brooklyn" or "Made in the Bronx."
>
> . . .
>
> America's manhole covers are made in China, as our industries go down the drain.

The MCFTC believes that it is quite likely that it is to avoid articles such as this, rather than any legitimate concern about trade barriers or feasibility of marking, that is behind certain importers' efforts to eliminate conspicuous country of origin marking for manhole covers.

As the article, as well as the import statistics indicate, the U.S. construction castings industry, represented by the MCFTC, has been adversely affected by imports. In an effort to prevent the elimination of the industry, the MCFTC has brought and won antidumping cases against imports from India, the People's Republic of China, Brazil, and Canada. The International Trade Commission found that unfairly traded imports from these countries had materially injured U.S. castings producers. The industry is hopeful that as a result of these actions the import flood will recede and the surviving U.S. foundries will once again prosper. It would be most unfortunate, however, if as a result of H.R. 1198, U.S. taxpayers, unsuspecting city officials and others were prevented from knowing that certain municipal purchasing authorities and other contractors were buying dumped and subsidized imported castings.

In short, no arguments can be made to justify enactment of H.R. 1198. To the contrary, the 1984 judgment by the Senate Finance Committee and the entire Congress that country of origin marking on the top surfaces of imported manhole covers and frames remains sound today. We urge the Subcommittee to reject H.R. 1198.

APPENDIX A

Alhambra Foundry, Inc.
Alhambra, CA

Allegheny Foundry Company
Pittsburgh, PA

Bingham & Taylor
Culpeper, VA

Campbell Foundry Company
Harrison, NJ

Charlotte Pipe & Foundry Co.
Charlotte, N.C.

Deeter Foundry Incorporated
Lincoln, NE

East Jordan Iron Works, Inc.
East Jordan, MI

Jenkins Construction Co.
Baton Rouge, LA

LeBaron Foundry Co.
Brockton, MA

Moritz Foundry
Santa Ana, CA

Municipal Castings Inc.
Madison, MN

Neenah Foundry Company
Neenah, WI

Opelika Foundry Co., Inc.
Opelika, AL

Pinkerton Foundry
Lodi, CA

Tyler Pipe Industries Inc.
Tyler, TX

U.S. Foundry & Manufacturing
Miami, FL

Virginia Industries
Rocky Hill, CT

Vulcan Foundry, Inc.
Denham Springs, LA

Western Iron Works
San Angelo, TX

THE NEW YORK TIMES, SATURDAY, NOVEMBER 19, 1988 27

The Sign of America's Decline, Under Foot

By Michael C. D. Macdonald

In details, disaster: from the want of a nail, a kingdom lost, to hairpins in Hyde Park or a manhole cover in Greenwich Village.

In 1888, Emile Zola found England's decline under a park bench. In London to avoid arrest during the Dreyfus furor, he began a conversation with the writer Ford Madox Ford by noting all of the hairpins strewn beneath their bench in Hyde Park. No nation whose nursemaids were so profligate with hairpins could survive, Zola warned. Within a decade, America and Germany had overtaken England's long industrial lead.

Today, a manhole cover in Greenwich Village at Grove and West 4th Streets reflects another superpower's decline. On the manhole cover appears the usual "N.Y.C. Sewer." Below this, however, is an ominous "Made in China." Not only is City Hall buying supplies from a Communist dictatorship, but here is a foreign manhole cover in what had once been the biggest factory town on earth.

My earliest reflections on manhole covers were pleasant ones, during walks along Riverdale's rural lanes in the northwest Bronx. Within this picturesque enclave, the vistas of the Hudson River and Palisades were accompanied, under foot, by handsome sewer lids whose foliated designs verged on the Art Nouveau. Most of these manhole covers boasted "Made in Brooklyn" or "Made in the Bronx."

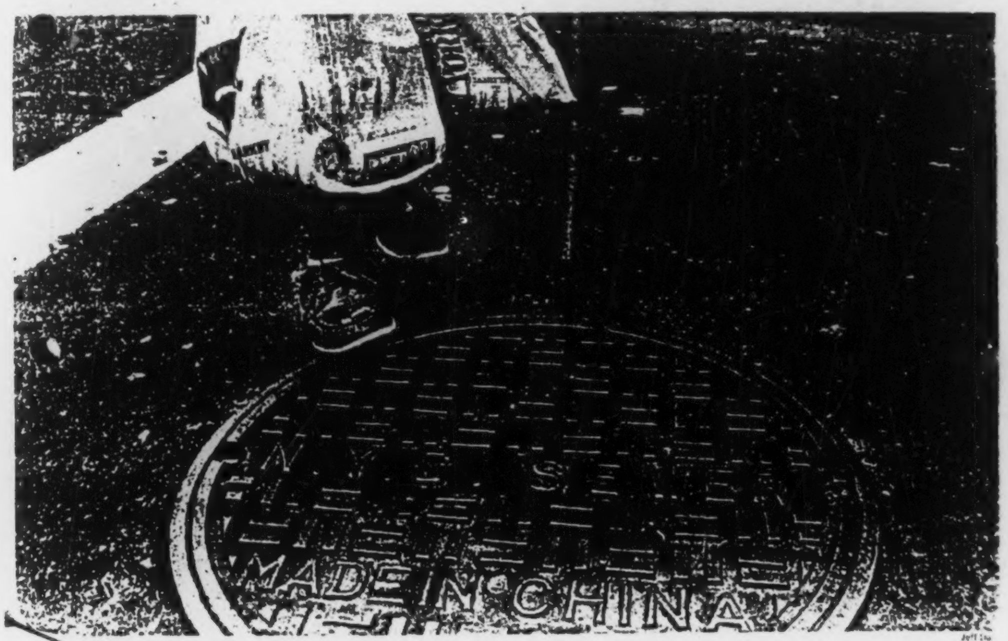
Indeed, major foundries in each borough had forged some of America's most famous castings. The Jones, Kirtland & Company Iron Works, in what is now called the South Bronx, had cast and then erected the Capitol dome in Washington. The Continental Iron Works of Greenpoint in Brooklyn had forged the ironclad Monitor, the "Yankee cheese box on a raft" that battled the Merrimac in the famous duel of 1862.

Above all, there had been the Brooklyn Navy Yard, not only the birthplace of fiction's most malevolent Navy brat, Madame Merle in Henry James's "The Portrait Of A Lady," but also the world's largest repair yard, with 71,000 workers manning its dry docks during World War II.

Today, the Navy Yard is down to one forge and 3,000 employees. New York, in 1950, was the world's manufacturing capital, with more than a million factory jobs. Today, it has has just over 372,000. America's industries are decaying in an economy obsessed with wealth not growth, consumption not investment, as the capital plant runs down and the trade gap soars to $170 billion for 1987.

One of the greatest empires since Rome is succumbing, in part, to Juvenal's insidious scourge of Caesar's: "Luxury, deadlier/Than any invader, lies like an incubus/Upon us still, avenging the world we brought to heel."

America's manhole covers are made in China, as our industries go down the drain.



Michael C. D. Macdonald, a writer, is at work on a study of American decadence.

MUNICIPAL CASTINGS INC.

Industrial Park
Madison, Minnesota 56256

P.O. Box 129 — Telephone (612) 598-7547
CATCH BASIN INLETS — MANHOLE RINGS & COVERS

June 1, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
1100 Longworth
U.S. House of Representatives
Washington D.C. 20515

RE: HR-1198

Dear Sir:

This month when the subcommittee on trade considers the miscellaneous trade and tariff measurers we urge you, in the strongest terms possible to reject HR-1198.

Congress passed this legislation in 1984 so that the various cities and contractors who purchase these articles could tell very easily where they were manufactured. There is no viable reason why this law should be repealed. In fact, it is our personal opinion it should be strengthened with very sharp penalties for all importers who try to avoid the proper markings. It causes no manufacturing difficulty and our American foundries routinely mark their castings with the appropriate information.

We at Municipal Castings Inc. employ 24 people, and we would like to keep them employed. Once again, we urge you to completely reject HR-1198.

Thank you.

Sincerely,

MUNICIPAL CASTINGS INC.

Carrell L. Raymo
Carrell L. Raymo
Sec. - Treas.

CLR\km

NEENAH
FOUNDRY COMPANY

P.O. BOX 729, 2121 BROOKS AVENUE
NEENAH, WISCONSIN 54956
PHONE 414 • 725-7000

May 24, 1989

Robert J. Leonard, Esq.
Chief Counsel - Committee on Ways & Means
1100 Longworth House Office Building
U.S. House of Representatives
Washington, DC. 20515

Dear Mr. Leonard:

As the Subcommittee on Trade considers pending miscellaneous trade and tariff measures, I urge you to reject H.R.1198.

On behalf of Neenah Foundry Company, one of the world's largest producers of construction castings, I urge you not to repeal the current law which requires imported manhole rings or frames, covers and other construction castings be marked on the top surface. Congress approved this legislation in 1984 so everyone would be able to identify where these products were manufactured. This was necessary to prevent imports from circumventing the country of origin law, by not marking the product at all or marking it on a place that could not be seen.

Our company employs 1100 people and we have been in business since 1872. The first manhole cover was produced in 1904 and since that time we have regularly marked our products with the appropriate information such as the name of our company and the name of the municipality on the top surface so it can be readily seen. This poses absolutely no problem in the manufacturing process and does no harm to the structural integrity of the product. Foreign manufacturers can, and have, readily complied with this requirement.

Indeed, because of subsidies and dumping on the part of our foreign competitors, the need for clear, country origin is particularly relevant for these products. As you know, the Commerce Department has found almost all of the imported manhole covers and similar castings to be unfairly traded.

Neenah Foundry Company is known world wide for its quality castings. We can compete with any manufacturer on the basis of cost, quality, and service. It is extremely important that anyone purchasing construction castings has the complete knowledge of the origin of the product.

There is simply no justification under the current technology and market conditions to repeal this law.

Sincerely yours,

E. W. Aylward
President

lvl

STATEMENT OF SOUTH BAY FOUNDRY
IN SUPPORT OF H.R. 1198

Subcommittee to the Subcommittee on Trade,
Committee on Ways and Means, U.S. House of Representatives

May 31, 1989

H.R. 1198 was introduced on March 1, 1989 to reinstate the pre-1984 country of origin marking law requirements, set forth in section 304 of the Tariff Act of 1930, as amended (19 U.S.C. § 1304), for manhole covers, rings and frames, and assemblies thereof (hereafter collectively referred to as "manhole covers"). In 1984, Congress amended the country of origin marking law creating an exception to the usual marking requirements by requiring that all imported manhole covers be marked on their "top surface" with their country of origin. The enactment of H.R. 1198 would reinstate the traditional country of origin marking requirements for manhole covers, requiring only that they be marked anywhere on their surface that enables the ultimate purchaser to clearly and readily identify the country of origin of that good.

H.R. 1198 proposes that section 304(e) be amended by deleting the phrase "on the top surface," so it will read as follows (phrase to be deleted appears in brackets):

> (e) Marking Of Certain Manhole Rings Or Frames, Covers And Assemblies Thereof -- No exception may be made under subsection (a)(3) with respect to manhole rings or frames, covers, and assemblies thereof, each of which shall be marked [on the top surface] with the English name of the country of origin by means of die stamping, cast-in-mold lettering, etching or engraving.

The deletion of the phrase "on the top surface" would in no way exempt manhole covers from any of the country of origin marking requirements imposed by section 304 which have been, and continue to be, deemed sufficient to protect the interests of U.S. consumers with respect to almost all other merchandise imported into the United States.

The reasons for our support of this bill may be summarized as follows:

1. The enactment of H.R. 1198 would make the country of origin marking requirement for manhole covers consistent with the country of origin marking requirements for all other imported articles.

2. H.R. 1198 would correct potential conflicts between the requirements of section 304(e) regarding manhole covers and U.S. obligations under GATT.

Consistency In
Country Of Origin Marking Law

The purpose of the country of origin marking law is to enable the ultimate purchaser of an article to know by inspection of the marking the country of origin of that article. It is further intended to provide domestic manufacturers with a competitive advantage over imported goods, based upon the premise that U.S. consumers, when given a choice, prefer U.S. made articles over those manufactured abroad. See United States v. Friedlander & Co., 27 CCPA 297, C.A.D. 104 (1940).

Section 207 of the Trade and Tariff Act of 1984 amended the Tariff Act of 1930 by adding a new subsection (e) to section 304 (see Pub. L. 98-573). This amended the country of origin marking law by imposing special marking requirements on manhole covers, i.e., requiring that they be marked on their "top surface," as opposed to any surface providing clear notice of origin. The stated purpose of enacting the amendment was to "give American buyers better consumer information about the origin of the product they are purchasing." 129 Cong. Rec. S'11768 (daily ed., Aug. 4, 1983). The legislative history pertaining to the 1984 amendment evidences no intent of Congress to change in any manner the basic fundamental purpose of the marking law, i.e., to inform the ultimate purchaser of the goods of their origin.

However, the effect of this amendment has been to impose an additional, and at times quite onerous, burden on importers of manhole covers. The legislative history to the amendment, by identifying the ultimate purchaser of manhole covers as the general public, not the purchasing municipality or utility company, while seemingly making the requirement that manhole covers be marked on their "top surface" consistent with the marking law, has done so by defining the ultimate purchaser of these articles in a manner inconsistent with established administrative and judicial precedent. The purchasing municipality or utility company would generally be considered the ultimate purchaser of the manhole covers under Customs law, and as such, marking of the manhole covers on any surface would be sufficient to comply with the congressional intent behind the marking law.

The result of the 1984 amendment has been numerous conflicts between various municipalities, of all sizes, whose specifications for manhole covers do not allow for the federally required marking on the manhole cover's top surface. It is often impossible under the current law for a foreign manufacturer to conform with these local specifications and to concurrently indicate the country of origin in a clear and easily discernible manner. There are numerous instances where municipalities have refused to accept imported manhole covers because they were out of specification -- the country of origin on the top surface not being included in the relevant specifications.

Prior to 1984, the country of origin mark would appear on the side or bottom surface of the manhole covers. So marked, the country of origin was clearly visible to the ultimate purchaser -- the municipality or utility companies. Permitting such marking once again will in no way detract from the purpose of the country of origin marking law -- notifying the ultimate purchaser of the country of origin of the merchandise.

Correct Potential Conflicts In The Law With U.S. Obligations Under GATT

The GATT recognizes the importance and the right of consumers in an importing country to know the origin of goods entering that country. For that reason, GATT permits country of origin marking laws. However, it also recognizes that unless controlled and applied consistently, these same laws could result in non-tariff barriers to trade. Therefore, Article IX (Marks of Origin) was incorporated into the final agreement to protect against just such barriers.

Current U.S. marking law regarding manhole covers directly conflicts with the GATT provisions, creating just such non-tariff barriers to trade. Specifically, section 304(e), in its application with respect to manhole covers, conflicts with the United States' obligations under the GATT. Paragraphs 2 and 4 of Article IX of the GATT read as follows:

> 2. The contracting parties recognize that, in adopting and enforcing laws and regulations relating to marks of origin, the difficulties and inconvenience which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum, with regard being had to the necessity of protecting consumers against fraudulent or misleading indications.
>
> 4. The laws and regulations of contracting parties relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products, or materially reducing their value, or unreasonably increasing their cost.

The operation of section 304(e) has, as explained above, caused serious "difficulties and inconveniences" to exporters and U.S. importers of manhole covers, at times acting as total barriers to trade. Such instances have "materially reduced" the value of imported manhole covers, by making them worthless for use in such municipalities. By enacting H.R. 1198, the GATT -- inconsistent aspects of the country of origin law will be corrected.

Conclusion

The foregoing discussion illustrates the serious practical problems associated with the implementation of section 304(e) as it concerns the country of origin marking requirements for imported manhole covers. The resolution of this problem is simple, and requires subjecting manhole covers to only the same country of origin marking requirements applied to other imported goods. This is precisely what H.R. 1198 does.

The enactment of H.R. 1198 will remedy potential conflicts between local municipalities' manhole cover specifications and federal marking law requirements. At the same time, H.R. 1198 corrects any U.S. inconsistencies under the GATT regarding marks of origin. Finally, H.R. 1198 brings the U.S. marking law for manhole covers in line with that for virtually all other goods imported into the United States, returning to a consistent standard upon which purchasers may rely.

For all of these reasons, we respectfully urge the Subcommittee to favorably consider H.R. 1198.

Respectfully submitted,

Irwin P. Altschuler
Donald S. Stein

BROWNSTEIN ZEIDMAN AND SCHOMER
Suite 900
1401 New York Avenue, N.W.
Washington, D.C. 20005
Telephone: (202) 879-5700

U.S. FOUNDRY & MANUFACTURING CORP.

8351 N.W. (DEBOGORY d STREET – MEDLEY, FLORIDA 33166

CABLE: "FOUNDRYMAN" PHONE (305) 885-0301

MUNICIPAL AND STATE ROAD DEPARTMENT
CASTING
FERROUS AND NON-FERROUS CASTINGS
METAL FABRICATIONS

DRAINAGE AND INDUSTRIAL GRATINGS
PRECAST PRODUCTS
FIRE HYDRANTS
COMPLETE MACHINE SHOP

ALEX DEBOGORY, JR.
PRESIDENT

JOHN P. DEBOGORY
VICE PRESIDENT

May 30, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
1100 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Leonard:

When the Subcommittee on Trade considers pending miscellaneous trade and tariff measures, I strongly urge you to reject H.R. 1198.

On behalf of U.S. Foundry & Manufacturing Corporation, I urge you not to repeal the current law which requires that imported manhole rings or frames, covers, and assemblies thereof be marked on the top surface. The Congress approved this legislation in 1984 so that the consumer would be able to identify where these products are manufactured. The amendment was necessary to prevent imports from circumventing the country of origin marking law by not marking the product at all or marking it on a place that could be seen by the ultimate purchaser. No good reason can be provided to repeal this law.

U.S. Foundry & Manufacturing Corporation, established in 1916 in Miami, Florida employs over 250 people, regularly marks our products with the appropriate information, such as the name of our company and the name of the municipality, on the top surface where it can be readily seen. This poses no problem in the manufacturing process and does no harm to the structural integrity of the product. Foreign manufacturers can, and have, readily complied with this requirement.

Indeed, because of subsidies and dumping on the part of our foreign competitors, the need for clear country of origin is particularly relevant for these products. As you know, the Commerce Department has found almost all of the imported manhole covers and similar castings to be unfairly traded. Citizens, who are the ultimate purchasers of these products, need to know their foreign origin.

There is simply no justification under the current technology and market conditions to repeal this law.

Sincerely yours,

U.S. Foundry and Manufacturing Corporation

Roland E Aguilera

Roland E. Aguilera

VULCAN FOUNDRY, Incorporated
P.O. Box 905 • Denham Springs, La. 70727-0905 • 504,665-6151

May 24, 1989

Congressman Sam Gibbons,
Trade Subcommittee Chairman
2204 Rayburn Building
Washington, DC 20515

Dear Congressman Gibbons:

When the Subcommittee on Trade considers pending miscellaneous trade and tarriff measures next month, I strongly urge you to reject H.R. 1198.

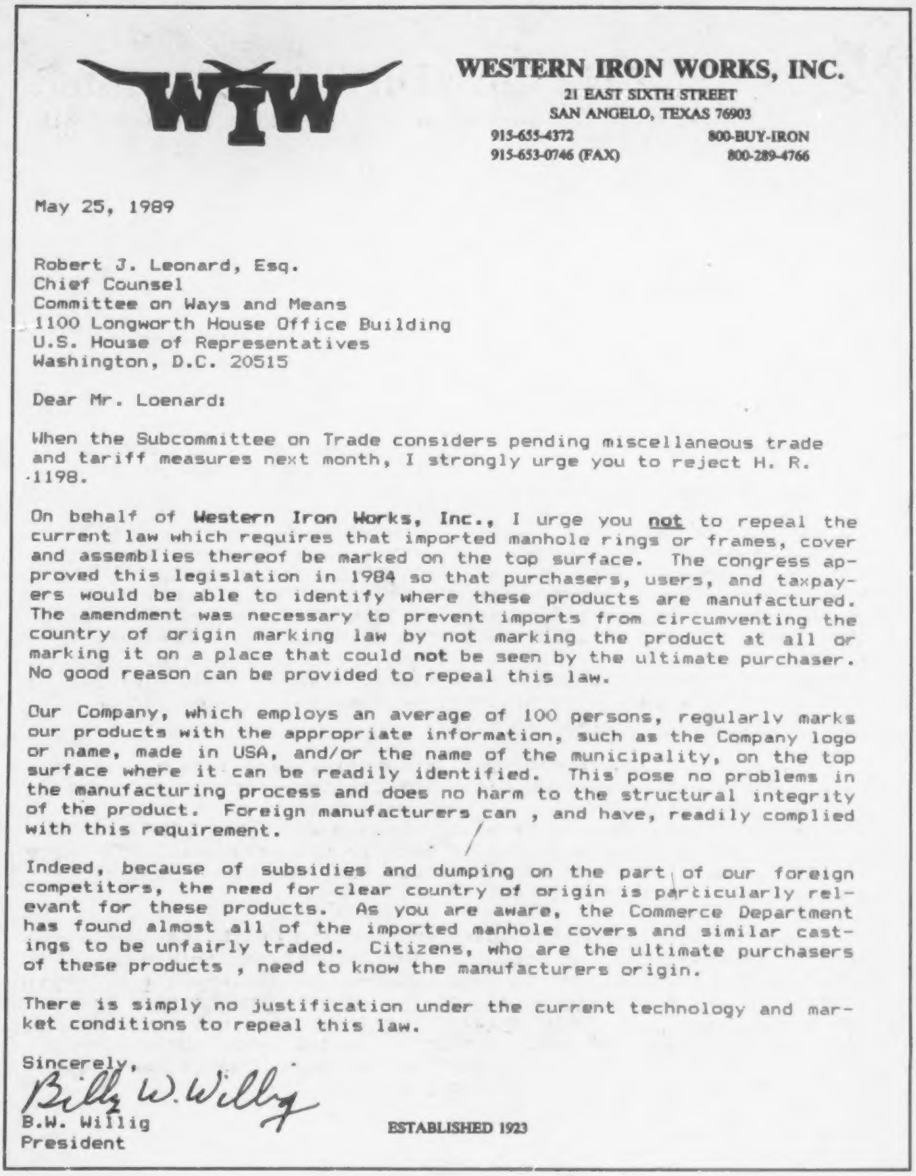
On behalf of Vulcan Foundry, Incorporated, I urge you NOT to repeal the current law which requires that imported manhole rings or frames, covers, and assemblies thereof be marked on the top surface. The Congress approved this legislation in 1984 so that purchases and pedestrians would be able to identify where these products are manufactured. The amendment was necessary to prevent imports from circumventing the country of origin marking law by not marking the product at all or marking it on a place that could be seen by the ultimate purchaser. No good reason can be provided to repeal this law.

Our company, which employes 200 people, regularly marks our products with the appropriate information, such as the name of our company and the name of the municipality, on the top surface where it can be readily seen. This poses no problem in the manufacturing process and does no harm to the structural integrity of the product. Foreign manufacturers can, and have, readily complied with this requirement.

Indeed, because of subsidies and dumping on the part of our foreign competitors, the need for clear country of origin is particularly relevant for these products. As you know, the Commerce Department has found almost all of the imported manhole covers and similar castings to be unfairly traded. Citizens, who are the ultimate purchasers of these products, need to know their foreign origin. There is simply no justification under the current technology and market conditions to repeal this law.

Sincerely yours,

J. H. Jenkins, Jr.
President



WESTERN IRON WORKS, INC.
21 EAST SIXTH STREET
SAN ANGELO, TEXAS 76903
915-655-4372 800-BUY-IRON
915-653-0746 (FAX) 800-289-4766

May 25, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
1100 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Loenard:

When the Subcommittee on Trade considers pending miscellaneous trade and tariff measures next month, I strongly urge you to reject H. R. 1198.

On behalf of **Western Iron Works, Inc.**, I urge you **not** to repeal the current law which requires that imported manhole rings or frames, cover and assemblies thereof be marked on the top surface. The congress approved this legislation in 1984 so that purchasers, users, and taxpayers would be able to identify where these products are manufactured. The amendment was necessary to prevent imports from circumventing the country of origin marking law by not marking the product at all or marking it on a place that could **not** be seen by the ultimate purchaser. No good reason can be provided to repeal this law.

Our Company, which employs an average of 100 persons, regularly marks our products with the appropriate information, such as the Company logo or name, made in USA, and/or the name of the municipality, on the top surface where it can be readily identified. This pose no problems in the manufacturing process and does no harm to the structural integrity of the product. Foreign manufacturers can , and have, readily complied with this requirement.

Indeed, because of subsidies and dumping on the part of our foreign competitors, the need for clear country of origin is particularly relevant for these products. As you are aware, the Commerce Department has found almost all of the imported manhole covers and similar castings to be unfairly traded. Citizens, who are the ultimate purchasers of these products , need to know the manufacturers origin.

There is simply no justification under the current technology and market conditions to repeal this law.

Sincerely,
Billy W. Willig
B.W. Willig
President

ESTABLISHED 1923

VIN WEBER
2D DISTRICT, MINNESOTA

106 CANNON BUILDING
WASHINGTON, DC 20515
(202) 225-2331

P.O. BOX 279
NEW ULM, MN 56073
(507) 354-6400

918 SOUTH 1ST STREET
WILLMAR, MN 56201
(612) 235-6030

P.O. BOX 1214
MARSHALL, MN 56258
(507) 532-8811

Congreſs of the United States
House of Representatives
Washington, DC 20515

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEES:
RURAL DEVELOPMENT,
AGRICULTURE AND
RELATED AGENCIES

LABOR, HEALTH AND
HUMAN SERVICES AND
EDUCATION

June 12, 1989

RECEIVED
JUN 14 1989
SUBCOMMITTEE ON TRADE

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
1111 Longworth HOB
Washington, D.C. 20515

Dear Congressman Gibbons:

I understand the House Ways and Means Committee is accepting written commentary on HR 1198 - a bill that would remove the country of origin marking on manhole rings and covers.

I am enclosing a copy of a letter I received from Mr. Carrell L. Raymo, a constituent of mine, who I believe makes some good points on this legislation.

I urge you to keep his comments in mind as you consider this legislation.

Sincerely,

Vin

VIN WEBER

VW/dg

MUNICIPAL CASTINGS INC.

Industrial Park
Madison, Minnesota 56256

P.O. Box 129 Telephone (612) 598-7547
CATCH BASIN INLETS MANHOLE RINGS & COVERS

May 31, 1989

The Honorable Vin Weber
House of Representatives
Washington, D.C. 20510

RE: HR-1198

Dear Sir:

Sometime around June 15th, the Ways & Means Subcommittee on trade will consider amending the current law, which Congress passed in 1984, requiring that imported manhole rings and covers be marked on the top surfaces listing country of origin. The amendment listed as HR-1198 attempts to do away with this marking requirement. There is no viable reason to do so. It causes no manufacturing problem or extra cost and the people who purchase these items need to know where they were manufactured.

We would appreciate your help. Perhaps a call or letter to the chairman, Sam Gibbons D-FL, expressing your opposition to HR-1198. We want this subcommittee to reject this bill. With current technology and market conditions there is simply no justification to repeal this law.

Thank you.

Sincerely,

MUNICIPAL CASTINGS INC.

Carrell L. Raymo
Carrell L. Raymo
Sec.-Treas.

CLR/km

H.R. 1220

To suspend for a 5-year period the duty on certain brown, orange, and violet dyes.

Atlantic
Industries, Inc.

P.O. Box 218
Nutley, NJ 07110

Tel. 201 235-1800
Cable: Anildye-Passaic

FAX 201 235-1827
TLX 6853089 Achem UW

May 26, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Atlantic

Dear Mr. Leonard:

We at Atlantic Industries, Inc. have a great deal of concern about the effect of the Duty Suspension Bills which have been introduced for a large number of dyes and dye intermediates. At this time of budget and balance of payment concerns, the large number of duty suspensions proposed can only be deleterious to our efforts.

The elimination of duty on many of the chemicals can only lead to the further demise of chemical intermediate manufacturing in our country, a loss of manufacturing capabilities which we can ill afford.

More specifically, we are particularly concerned about the effect the suspensions called for in HR1220, HR1322, HR1323, HR1443, HR1791 and HR1886 will have on our business. These will permit products which either we manufacture or competitive to the ones we manufacture to come into the country duty-free, leaving us in a non-competitive position. This could effect as much as 30% of our business, resulting in the loss of as many as 30 jobs.

Your consideration of our concerns is most important to us and is appreciated. We would be happy to discuss these concerns in detail. If you have any questions of a technical nature, please feel free to call our Chief Scientist, Dr. M. Barry Bochner. We cannot stress too much the importance of your favorable consideration in this matter.

Very truly yours,

Rubin Rabinowitz
Chairman

RR/ls

BILL BRADLEY
NEW JERSEY

United States Senate
WASHINGTON, DC 20510

May 17, 1989

The Honorable
Dan Rostenkowski
Chairman
Committee on Ways and Means
U. S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman: Mr Chairman

The Ways and Means Committee is currently considering House Resolutions 1220, 1320, 1321, 1322 and 1323, all of which propose the temporary suspension of duties for 26 vat dyestuffs.

Two New Jersey-based companies, Sandoz Corporation and Passaic Color and Chemical, have written me stating their opposition to these bills, which cover products that they either produce or intend to produce. I am attaching for your information copies of their letters on this matter.

I hope you will take these views into consideration during your deliberations on these bills.

Thank you for your attention to this matter.

Sincerely,

Bill Bradley

Bill Bradley

BB/pca

Enclosures

PASSAIC Color & Chemical Co.
DIVISION OF ROYCE ASSOCIATES, A LIMITED PARTNERSHIP

Manufacturing Plant:
28-36 Paterson Street
Paterson, NJ 07501
(201) 279-0400

Newark Sales Office:
207-215 Avenue L
Newark, NJ 07105
(201) 465-3932

Charlotte Sales Office:
307 Q West Tremont Avenue
Charlotte, NC 28203
(704) 332-8691

April 17, 1989

The Honorable Bill Bradley
United States Senate
731 Hart Building
Washington, DC 20510

ATTENTION: MARCIA ARONOFF

Dear Senator Bradley:

RE: HR 1220, 1320, 1321, 1322, 1323

We ask you oppose the above-captioned bills intended to remove U.S. tariff from 26 vat dyestuffs.

This collection of bills, introduced by Congressman Spratt -

> acts to increase the profits of Indians at the expense of American taxpayers, American jobs;
>
> threatens the livelihoods of our American workers and the existence of Passaic Color (as well as many other companies) as dye makers in the United States.

These bills are introduced on behalf of the relatively new Sunbelt Corporation of Rock Hill, South Carolina which is owned by the Sungrace Group of India, a group with almost 60,000 employees, which is owned in turn by Indian Dyestuff Industries which, in turn is owned by the Mafatlal family. This is one of the largest, if not the largest collection of companies in India.

For your interest, we are enclosing copies of our letters to the Department of Commerce, dated respectively April 3rd and April 12th.

On behalf of Passaic Color and its employees, we respectfully request your assistance opposing these bills.

Very truly yours,

PASSAIC COLOR & CHEMICAL COMPANY

F. Hummel

F. Hummel

FH/vj

Enclosures

PASSAIC Color & Chemical Co.
DIVISION OF BOYCE ASSOCIATES, A LIMITED PARTNERSHIP

Manufacturing Plant:
28-36 Paterson Street
Paterson, NJ 07501
(201) 279-0400

Newark Sales Office:
207-215 Avenue L
Newark, NJ 07105
(201) 465-3932

Charlotte Sales Office:
307 Q West Tremont Avenue
Charlotte, NC 28203
(704) 332-8491

April 3, 1989

Mr. Raimundo Pratt
Commodity Industry Specialist
UNITED STATES DEPARTMENT OF COMMERCE
TD/BI/OCAP - Room 4045
14th & Constitution Avenue NW
Washington, DC 20230

RE: HR 1220, 1320, 1321, 1322 and 1323

Dear Mr. Pratt:

First, we wish to thank you for contacting us regarding the above-captioned bills introduced by Congressman Spratt.

Our position is that we are opposed to this collection of bills. It is our opinion they act in the interest of a single company in South Carolina whose roots are in a single, very large company in India. We do not feel this is a Free Trade matter but in fact, the opposite which could lead to a monopoly. The history of this Indian company is that when they did have a cost advantage by operating through the Virgin Islands, thus avoiding U.S. duty, this advantage was not passed on to the consumer; they just kept the savings. Therefore, we do not feel consumers would benefit by these bills. The United States would, of course, have a revenue reduction. Since they are dealing at arms length while the rest of the color industry engages in open trade, we feel other companies ableit importers of crudes, converters and manufacturers in the United States would suffer.

In summary, it is our opinion the thrust of these bills offers no consumer benefit, loss of revenue to the United States, damage to the domestic industry.

Should you wish further elaboration of our opinion, please contact the writer.

We thank you again for contacting us.

Very truly yours,

PASSAIC COLOR & CHEMICAL COMPANY

F. Hummel

F. Hummel

O

FH/vj

cc: Congressman Robert A. Roe
Steve Wanser, USITC
Dr. Andrew Fono

PASSAIC Color & Chemical Co.
DIVISION OF ROYCE ASSOCIATES, A LIMITED PARTNERSHIP

Manufacturing Plant:
28-36 Paterson Street
Paterson, NJ 07501
(201) 279-0400

Newark Sales Office:
207-215 Avenue L
Newark, NJ 07105
(201) 465-3922

Charlotte Sales Office:
307 Q West Tremont Avenue
Charlotte, NC 28203
(704) 332-8691

April 12, 1989

Mr. Raimundo Pratt
Commodity Industry Specialist
UNITED STATES DEPARTMENT OF COMMERCE
TD/BI/OCAP - Room 4045
14th & Constitution Avenue NW
Washington, DC 20230

RE: HR 1220, 1320, 1321, 1322 AND 1323

Dear Mr. Pratt:

Concerning our recent conversation about my letter of April 3rd, you asked for specific details on each color, the bill number and our specific reasons against reducing or eliminating duty. All of the colors involved are either in trade, or their equivalents are. It is my understanding other companies making these colors are in the process of providing the specific data to you, as requested.

The point we want to make is, eliminating the duties in question leaves Indian Dyestuff Industries free to export these colors directly to their subsidiary without coming under the scrutiny of United States Customs examination as to the value being priced fairly.

Indian Dyestuff Industries only does business in the United States with itself - Sunbelt Corporation in Rock Hill, South Carolina. All the rest of the color industry trades in the open market. Indian Dyestuff Industries trades only with itself. So to us, this entire matter is a problem of fostering unfair competition. To us, an analogy might be - developing our arguments against each color individually is similar to checking the trigger guard, springs, bolt and cartridge maker, while at the same time, the main problem is - a gun is pointed at our head and someone is making ready to fire. Nevertheless, we realize your mandated investigation requirements and I believe others will give you the specifics shortly.

We thank you again for contacting us.

Very truly yours,

PASSAIC COLOR & CHEMICAL COMPANY

F. Hummel

F. Hummel

FH/rj

cc: Congressman Robert A. Roe
Steve Wanser, USITC
Dr. Andrew Fono

SANDOZ

Sandoz Corporation
1615 L Street, NW, Suite 320
Washington, DC 20036
202.223.6262

Mike Allsworth
Vice President
Government Relations

fc

April 13, 1989

The Honorable Bill Bradley
United States Senate
731 Hart Building
Washington, DC 20510

RE: HR 1320, 1321, 1322, 1323
Removal of Tariff From Vat Dyestuffs

Dear Bill:

Please consider opposing the above bills intended to remove U.S. tariff from twenty-six vat dyestuffs. The adoption of these bills into law would have a very serious negative impact on our present and projected vat dyestuff manufacturing operations in the United States.

Stripped of non-essentials, our reasons for requesting you to oppose the bills are as follows:

1. As you know, we have substantial manufacturing facilities in Fair Lawn and East Hanover, N.J.

2. We manufacture some of the vat dyestuffs listed in the bills in the United States.

3. We plan to manufacture some other of the vat dyestuffs listed in the bills in the United States.

4. Dye mixtures made from various combinations of the vat dyestuffs listed in the bills can provide virtually every color in the rainbow, and will compete with the vat dyestuffs, sulfur dyestuffs, and idophenol sulfurized vat dyestuffs we already make and plan to make in the United States.

5. If these bills are passed, it is very unlikely that we would be able to continue making vat dyestuffs in the United States, and it is almost certain we would be unable to commence manufacturing other vat dyestuffs.

6. These bills were introduced at the behest of the new Sunbelt Corp., of Rock Hill, S.C., a member of the 55,000 employee Sungrace Group of Bombay, India, to enable it to import Indian made vat dyestuffs free of U.S. tariff.

7. Removal of the tariff would also remove Sunbelt from U.S. Customs' obligation to investigate fair pricing of imports.

Mobay

Bayer MOBAY

Mobay Corporation
A Bayer USA INC. Company

Dyes, Pigments and Organics Division

Dyes Department
P.O. Drawer 2855
U.S. Bypass 21
Rock Hill, S.C. 29730
Telephone 803/329-3937
Telex: 1561261

May 25, 1989
RGK9124

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

At the request of Mr. Ray Pratt we would like to comment on the effect of the proposed bills H.R. 1220, H.R. 1320, 1321, 1322, 1323 on Mobay Corporation as a U.S. dye manufacturer.

In general, we do not believe that it is fair to exclude one particular class of dyes; i.e. vat dyes, from import duty payments while other classes of dyes that are also used for dyeing of cellulosic fibers; i.e. reactive dyes, direct dyes and azoic dyes continue to be subject to duty payments. We believe that duty reductions, especially for products not manufactured in this country, would be helpful to improve the competitive status of the U.S. textile industry. But such reductions should be applied evenly over all product ranges.

Specifically, we are, as a manufacturer in this country of Vat Violet 1, opposed to a duty suspension of this product. Such a suspension is likely to result in financial damage to Mobay.

Sincerely,

Rolf G. Kuehni
Manager
Business Management 1

H.R. 1284

For the relief of the City of Albany, New York.

No statements submitted.

H.R. 1320

To suspend for a 5-year period the duty on certain blue and green dyes.

See contents pages for statements on this bill.

H.R. 1321

To suspend for a 5-year period the duty on vat red 10 dye.

BASF Corporation

BASF

May 26, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
US House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons' notice of May 3, 1989, I am writing to express BASF's objection to H.R.1321, introduced by Representative John M. Spratt, Jr., to suspend the import duties on Vat Red 10 dye.

BASF produces Vat Red 10 dye at Rensselaer, New York, and has the capacity to supply all U.S. domestic requirements.

We have produced this product at Rensselaer for several years and plan to continue its production.

Elimination of duties on Vat Red 10 dye would put us at a competitive disadvantage with imported material and would negatively affect our U.S. operations and employment.

Sincerley,

Robert G. Thoma

Robert G. Thoma

H.R. 1322

To suspend for a 5-year period the duty on certain brown, orange, and violet dyes.

See contents pages for statements on this bill.

H.R. 1323

To suspend for a 5-year period the duty on certain dyes.

See contents pages for statements on this bill.

H.R. 1428

To suspend temporarily the duty on certain plastic web sheeting.

COMMENTS
OF
INDA, ASSOCIATION OF THE NONWOVEN FABRICS INDUSTRY
IN OPPOSITION TO H.R. 1428

INDA, Association of the Nonwoven Fabrics Industry, appreciates the opportunity to express its opposition to H.R. 1428 now under consideration by the House Ways and Means Committee Subcommittee on Trade. INDA, with offices at 1001 Winstead Drive, Suite 460, Cary, North Carolina 27513, is the recognized trade association of the nonwoven fabrics industry. Its 126 member companies (see list of members attached) include nonwoven rollgood manufacturers, equipment manufacturers, fiber and chemical suppliers, converters, sales agents, consultants, and academia. In 1960, the U.S. annual output of nonwovens was nearly 50,000 tons. This production is estimated to be 700,000 tons by 1990, with product values over $200 million.

H.R. 1428 proposes to suspend temporarily the duty on "certain plastic web sheeting," or "nonwoven fiber sheet" comprised of a highly uniform and random array of polyester fibers 1.5 to 3.0 denier that is thermally bonded and calendered into a smooth surface web having:

(a) a thickness of 2.7 to 4.0 mils;
(b) a basis weight of 2.5 oz per square yard;
(c) a machine tensile strength of 30 lb. per square inch or greater;
(d) a low cross-direction tensile (approximately 1/3 of MD tensile strength); and
(e) a Frazier air permeability of 1.0 to 1.5 cfm per sq. feet."

It is our understanding that the constituent company, on whose behalf this legislation was introduced, intends the material with the specifications described above to be used in filter systems that purify brackish water or sea water into potable water.

INDA opposes this legislation for two reasons. First, INDA notes that this legislation attempts to apply to particular specifications of nonwoven fabrics. However, although the specifications listed above are purported to focus on a specific end-use, the legislation does not provide for, and therefore, does not assure that the imported material would be used for that limited purpose. Thus, an unlimited amount of this fabric could legally be imported for this or other end-uses. The impact of this could be devastating to the domestic nonwovens industry by opening the flood gates to a deluge of imported fabrics competing directly with domestically produced fabrics.

INDA's second reason for opposing this legislation stems from our understanding, as a result of discussions with Customs' representatives, that one of the essential characteristics of this fabric, Frazier air permeability, cannot even be tested by Customs because it does not have the equipment to make such an evaluation. Therefore, the technological limitations of Customs makes this legislation impossible to enforce.

INDA supports a competitive world marketplace for nonwoven fabrics, and does not believe in protectionist legislation. But, INDA, believing H.R. 1428 to be potentially harmful to the domestic nonwoven fabrics industry, urges this Subcommittee to vote unfavorably on the legislation.

Respectfully submitted,

John J. Mead /sdr

John J. Mead, President
INDA, Association of the
Nonwoven Fabrics Industry

INDA, ASSOCIATION OF THE NONWOVEN FABRICS INDUSTRY
GENERAL MEMBERS

Air Products and Chemicals, Inc.
Allied Aftermarket Division
Allied/Signal
American Roller Company
Amoco Fabrics & Fibers Company
Arco Chemical Company
Astro Industries, Inc.
Avtex Fibers, Inc.

Barnhardt Manufacturing Company
BASF Corporation
Baxter Healthcare Corporation
Beloit Wheeler Corporation
Bemiss-Jason Corporation
Bonar Fabrics Corporation
Bromley Plastics Corporation
William T. Burnett & Co., Inc.

Chisso America Inc.
Clopay Corporation
Consolidated Thermoplastics
Courtaulds North America, Inc.
Crown Textile Company

The Dexter Corporation
Dexter Ecomelt
Dow Chemical U.S.A.
E.I. du Pont de Nemours & Co., Inc.

Eastman Chemical Products Inc.
Edison Plastics Company
Elk Corporation
Ergon, Incorporated
Erikson Nonwoven Textiles, Inc.
Erving Paper Mills

Fiber Dynamics, Inc.
Fiber Industries
Fleetguard, Inc.
Foster Needle Company, Inc.
Freudenberg Nonwovens Limited Partnership
Freudenberg Spunweb Company
H.B. Fuller Company

Gelman Sciences
GenCorp Polymer Products
Glo-Tex Chemicals, Inc.
The BFGoodrich Company
Grain Processing Corporation
Groz-Beckert USA

Hercules Incorporated
HES
Hoechst-Celanese Corporation
Hollingsworth & Vose Company
Honeycomb Systems Inc.

IGI Nonwovens
Irving Textile Products, Inc.

James River Corporation
Johnson & Johnson

Kem-Wove, Inc.
Kendall Healthcare Products Co.
Kimberly-Clark Corporation
KT Industries Ltd.
Lehn & Fink Products
Leigh Fibers Inc.
Lydall, Inc.

Manville Sales Corporation
Masland Industries
Measurex Corporation
Meltex Corporation
Mercer Corporation
Milyon, S.A.
Morrison Berkshire, Inc.
Mosinee Paper Corporation

National Starch & Chemical Corp.
Nice-Pak Products, Inc.
Nordson Corporation
North American Textile Machinery Co.

Osprey Corporation

Paper Converting Machine Company
Para Chem Southern Inc.
Park Avenue Finishing Corporation
B.F. Perkins
Politex U.S. Incorporated
Polyfelt, Inc.
Precision Fabrics Group, Inc.
Proctor & Schwartz, Inc.

Reichhold Chemicals Inc.
Rohm and Haas Company
Scott Paper Company
Sequa Chemicals
Simmons Machinery Company, Inc.
Stacy Industries, Inc.
Stanford Professional Products Corp.
State Center Waste Materials
The Stearns Technical Textiles Company

Taih Yung Enterprises Co., Ltd.
Tex-Tech Industries, Inc.
3M Company, PCPD Division
3M Company, Medical/Surgical Division
Troy Mills, Inc.

UNOCAL Corporation
Veratec, Inc.

Westinghouse Electric Corporation
Weyerhaeuser Company
Wisconsin Tissue Mills
Wise Industries, Inc.

INDA, ASSOCIATION OF THE NONWOVEN FABRICS INDUSTRY

ASSOCIATE MEMBERS

Abandaco, Inc.
Beacon Lighthouse for the Blind
Bogdan Bogdanovic
Bohlander Associates
Francis J. Bouda

China Textile University
Clemson University
Cotton Incorporated
Drexel University
Dunn Enterprises Winston-Salem, Inc.

East Texas Lighthouse for the Blind
Fi-Tech Incorporated
Filter Media Consulting, Inc.
Fleming Associates

Georgia Institute of Technology
Richard F. Heitmiller, Inc.
Hill Top Research, Inc.
Thomas M. Holliday & Associates
Humtex Management Corporation

Integrated Magnetics
Korea Yarn & Fabric Inspection Testing Institute
Lockwood Green Engineers, Inc.

Moran Marketing, Inc.
Mirafi, Inc.
Richard S. Murray

National Industries for the Blind
North Carolina State University

E.V. Painter
Philadelphia College of Textiles & Sciences
Paper and Board Division, PIRA

Clark A. Rodman
Schuler Ducote
Shirley Institute
Dr. D.K. Smith
John R. Starr, Inc.
Strategic Management Consulting
Swedish Institute for Textile Research

University of Lowell
University of Maryland
University of Tennessee

H.R. 1442

Relating to the tariff treatment of triflurométhylaniline (also known as m-Aminobenzotrifluoride).

ALEX McMILLAN
9TH DISTRICT
NORTH CAROLINA

COMMITTEE ASSIGNMENT
ENERGY AND COMMERCE
COMMITTEE

Congreſs of the United States
Houſe of Repreſentatives
Waſhington, DC 20515

May 17, 1989

The Honorable Sam Gibbons
Subcommittee on Trade
Committee on Ways and Means
1136 Longworth
INSIDE MAIL
Washington, D.C. 20515

Dear Sam:

I would like to take this opportunity to urge your consideration and strong support of HR 1442 which would temporarily suspend the duty on trifluromethylaniline or TFMA.

HR 1442 is virtually identical to HR 1625 which I introduced in the 100th Congress. Sandoz Crop Protection Corporation imports TFMA from France since there is no domestic supplier of the chemical. Sandoz uses TFMA in the production of Norflurazon which is used to formulate a pre-emergence herbicide sold under the trade name of Zorial Rapid 80.

Sandoz imports in excess of 1 million LB of TFMA annually. The current duty is 1.1 cents per pound plus 18.8% ad valorem. The temporary suspension of the duty on TFMA would be a great benefit to Sandoz Corporation and to their consumers of Norflurazon and since there is no domestic manufacturer of TFMA, there would not be any adverse reaction to this legislation.

I would respectfully urge you and the Members of the Committee on Ways and Means to include HR 1442 in your final miscellaneous tariff bill this year.

With warm regards.

Sincerely,

Alex McMillan
Member of Congress

AM/fhh

WASHINGTON
401 CANNON BLDG.
WASHINGTON, DC 20515
PHONE: 202/225-1976

CHARLOTTE
401 WEST TRADE ST., RM. 222
CHARLOTTE, NC 28202
PHONE: 704/372-1976

STATESVILLE
207 WEST BROAD ST.
STATESVILLE, NC 28677
PHONE: 704/873-7331

MOORESVILLE
MUNICIPAL BLDG. COURTROOM
MOORESVILLE, NC 28115
PHONE: 704/663-1976

LINCOLNTON
POST OFFICE, ROOM B-01
LINCOLNTON, NC 28092
PHONE: 704/735-1976

SANDOZ

Sandoz Corporation
1615 L Street, NW, Suite 320
Washington, DC 20036
202.223.6262

Mike Ailsworth
Vice President
Government Relations

May 12, 1989

The Honorable Dan Rostenkowski
U.S. House of Representatives
2111 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Rostenkowski:

I am writing on behalf of Sandoz Crop Protection, a business in the Chicago area, to respectfully urge your support for the temporary tariff suspension of triflurromethylaniline (TFMA). Tariff relief legislation, H.R. 1442, for this product was introduced by Congressman Alex McMillan and will soon be considered by the Trade Subcommittee of the Committee on Ways and Means. As you know, the same legislation was included in the miscellaneous tariff bill passed by the Ways and Means Committee on September 8, 1988, but failed to be included in the tax technical corrections bill last year.

For the past several years, Sandoz has been forced to import TFMA from France because there are no American companies that manufacture the product. It is unfair that we are required to pay such an exorbitant tariff duty on a product which is not and will not be manufactured in the United States.

We urge you to support this legislation as it is considered by the Trade Subcommittee. Feel free to call me or Tracy Haller of my staff if you have any questions. Thank you in advance for your interest and consideration.

Sincerely,

Mike

Mike Ailsworth

al

SANDOZ CROP PROTECTION

Sandoz Crop Protection Corporation
Corporate Headquarters
1300 East Touhy Avenue
Des Plaines, Illinois 60018
312.390.3641
TELEX 687.1162 SANDZ

Dale A. Miller
President & Chief Executive Officer

May 22, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Gibbons:

This correspondence is to solicit your support for suspending the tariff duty currently charged to Sandoz Crop Protection for the importation of trifluromethylaniline. We appreciate your consideration of this matter.

Sandoz Crop Protection Corporation has a highly specialized manufacturing unit in Charlotte, North Carolina. This modern and efficient plant employs around 300 individuals who are involved with the production of safe and effective agricultural products including Norflurazon, an agricultural herbicide used on cranberries, vine crops, citrus, cotton and soybeans.

As the sole manufacturer of Norflurazon, the company uses trifluromethylaniline (T.F.M.A.) as the base component but must import it from France as there has been no American manufacturer for the past several years. Even though there are no companies manufacturing T.F.M.A. in the United States, Sandoz Crop Protection is still required to pay nearly a million dollars each year in tariff duty.

We have made every possible effort to source this product from within the United States, and have asked companies who once produced T.F.M.A. to manufacture it again. We have even attempted to locate new manufacturers, but they have all refused. There isn't a single U.S. supplier, despite offers of a long-term sales commitment, partnerships, co-production or the use of toll formulators.

Sandoz Crop Protection is intent on providing the American farmer with safe and effective crop protection products at reasonable prices. As a research and development intensive company we are also interested in making certain that every dollar possible be made available to the research and development of new, more efficient products for agriculture.

The unfair duty that Sandoz Crop Protection is currently paying on T.F.M.A. inhibits not only our research and development program, but also our ability to be competitive. We respectfully request that Congress suspend the currently required tariff duty on the importation of T.F.M.A.

Sincerely,

Dale A. Miller

Dale A. Miller
President and CEO

BACKGROUND
TARIFF DUTY SUSPENSION LEGISLATION
TRIFLUROMETHYLANILINE
SANDOZ CROP PROTECTION CORPORATION

Sandoz Crop Protection Corporation (SCPC) imports Trifluromethylaniline (T.F.M.A.), otherwise known as M-Aminobenzotrifluride, to manufacture Norflurazon. SCPC uses Norflurazon to formulate a pre-emergence herbicide. SCPC imports in excess of 1,800,000 lbs. annually of T.F.M.A.

Purpose of Legislation

This legislation would temporarily suspend the duty on T.F.M.A. As the current duty is 1.1 cents per pound, plus 18.8 percent ad valorem, this legislation would produce a significant cost reduction for this raw material. A substantial portion of this cost reduction would pass through to the finished product.

Import of TFMA Mandatory

SCPC, through efforts of its corporate purchasing department, is unable to identify a producer of T.F.M.A. in the United States. Previously known producers ceased production between 1972 and 1984. In addition, there are no substitute chemicals that can be used in this manufacturing process.

No Adverse Domestic Reaction

TFMA is currently classified in TSUS under a "basket" provision that does not specifically reference it by name. This "basket" provision was originally intended to protect U.S. manufacturers of coal tar dyes. Maintaining the applicability of this "basket" provision for T.F.M.A. serves little purpose at a time when this chemical is not produced in the United States. Since T.F.M.A. is not produced in the United States there could be no adverse domestic reaction to this legislation.

H.R. 1443

To suspend temporarily the duty on Resolin Red F3BS components I and II.

T. J. THOMAS

MANAGER, DYES RESTRUCTURING & ROCK HILL MANUFACTURING

AND

PAUL G. GEMEINHARDT

DIRECTOR, COMMUNICATIONS & ADVOCACY FOR CHEMICAL INDUSTRY ISSUES

MOBAY CORPORATION

CONCERNING

H.R. 1443

STATEMENT

Mobay Corporation is a diversified manufacturer of chemical intermediates, dyestuffs and polymeric resins. From headquarters in Pittsburgh, PA, Mobay oversees manufacturing operations in major plants located in Maryland, Missouri, South Carolina, Texas and West Virginia. Most of the products supplied to broad areas of U.S. industry are made in this country from domestic raw materials. As a member of the Bayer USA, Inc. group whose parent is Bayer AG of Leverkusen, West Germany, we can and do import chemicals from Bayer AG that are not available here for use in some of our plant operations.

Two such chemicals are those covered in this bill and commonly called Resolin Red F3BS Components I and II. Both components are brought into the Bushy Park Plant at Charleston, SC where they are chemically combined and dispersed to form a red dyestuff. The dyestuff is then marketed under a commonly used color indexing system and identified as Disperse Red 334. Disperse Red 334 is used primarily for coloring polyester fibers. There is no replacement for this dye although Disperse Red 60 is similar in shade. Though similar in color, however, Disperse Red 60 differs significantly in other properties making it unlikely to compete with the Resolin dye.

Disperse Red 334 is widely used in the textile industry for all types of dyeing operations.

Elimination of duty on the two Resolin Red F3BS components will reduce the cost of the finished dyestuff and ultimately benefit the domestic polyester fiber producers and textile manufacturers. Such reduction in costs will help to improve the competitive position of domestic manufacturers against foreign imports of textiles and apparel.

H.R. 1444

To suspend temporarily the duty on DMSS.

chemie linz

Hon. Sam Gibbons
Chairman of the Subcommittee on Trade
Committee for Ways and Means
1102 Longworth House Office Bldg.
Washington, D.C. 20515

CHEMIE LINZ U.S. INC.
222 Bridge Plaza South
Fort Lee, NJ 07024
Telephone: (201) 947-7728
Fax: (201) 947-6853
Telex: 888211 CHEMIE LINZ US

Fort Lee, May 24, 1989

Ref.

Gentlemen:

As to our best knowledge, our parent company, Chemie Linz Ges.m.b.H., is worldwide the only producer of DMSS, a key intermediate used in the manufacture of quinacridone pigments.

Provided the duty suspension passes legislation, it is our intention to reduce our prices to U.S. customers in the amount of the current duty rates. This will allow the U.S. manufacturers of quinacridone pigments to produce more cost efficient and hence be more competitive in the U.S.A., as well as in the world market.

In making quinacridone cheaper, we also see opportunities for new applications for these high quality pigments. This will ultimately lead to a healthy growth rate, which would be to the benefit of the U.S. economy in securing industrial jobs and will contribute to the well-being of the quinacridone manufacturer.

Therefore, we strongly support Bill #HR-1444 introduced by Congressman Ravenel of South Carolina requesting a temporary duty suspension for DMSS.

Sincerely yours,

Helmut Lehner
President

HY-TEX MARKETING INC.
P.O. Box 2056
Beaufort, South Carolina 29901
(803) 525-0057

Research & Development
P.O. Box 337
Green Pond, SC 29446
(803) 844-8208

May 9, 1989

The Honorable Sam M. Gibbons, Chairman
Subcommittee on Trade
Committee on Ways & Means
U. S. House of Representatives
1002 Longworth House Office Building
Washington, DC 20515

Dear Mr. Gibbons:

We would like to go on record as objecting to HR-1444, to suspend temporarily the duty on DMSS and HR-1716, to suspend temporarily the duty on DEMAP.

Our objection is that both products are manufactured by us, using our own developed process and as a small company we wish to have the protection of the U. S. Tariff structure.

Your kind assistance will be most appreciated.

Sincerely,

A. G. Heinel

A. G. Heinel
President

AGH/sk
cc: Arthur Ravenel, House of Representatives
Dr. Donald J. Gale, Hy-Tex

FEDERAL EXPRESS

"Innovative Marketing"

WRITTEN STATEMENT
ON BEHALF OF
MOBAY CORPORATION
CONCERNING
H.R. 1444

BY

T. J. THOMAS

MANAGER, DYES RESTRUCTURING & ROCK HILL MANUFACTURING

AND

PAUL G. GEMEINHARDT

DIRECTOR, COMMUNICATIONS & ADVOCACY FOR CHEMICAL INDUSTRY ISSUES

STATEMENT

Mobay Corporation, a member of the Bayer USA, Inc. group whose parent company is Bayer AG of Leverkusen, West Germany, is headquartered in Pittsburgh, PA. Since its formation in the early 1950s, Mobay has become a diversified manufacturer of chemical intermediates and polymeric resins. We supply products to broad areas of U.S. industry having need for polyurethane raw materials and polymers, agricultural chemicals, dyestuffs, pigments, plastic resins, coating ingredients, textile fibers and industrial chemicals.

While most of the products supplied to U.S. industry are produced domestically, we do purchase some imported chemicals that are needed in certain plant manufacturing operations and that are not made in the United States, or for which there is no substitute. Dimethyl succinyl succinate (DMSS) is such a chemical.

Mobay purchases DMSS from the American subsidiary (importing company) of Chemie Linz, a company in Linz, Austria. There is no domestic source. The chemical serves as a key raw material for the production of a family of pigments, known as quinacridones, at our Bush Park plant in Charleston, SC.

In use, the quinacridone pigments are combined with another family of pigments known as perylenes. Together, the quinacridones and perylenes yield red pigments that are extremely lightfast, thereby giving paints, containing the red pigments, the ability to withstand direct exposure to sunlight. Paints formulated with the combination of quinacindone and perylene pigments have become extremely important and thus in great demand to the domestic automotive or vehicular industry and its paint suppliers. Because of the lightfastness demands in finishing the exteriors of cars, trucks and other vehicles, coupled with a good overall mix of other physical and chemical properties, these red pigments have no equals.

Suspending the duty on DMSS will benefit the American manufacturers of automobiles and other vehicles, and the consumers purchasing these products. In addition, the industry will be in a better position to hold or increase domestic market-share and compete in the world-wide market.

The Committee is urged to pass the proposed temporary suspension of duty.

Thank you for considering these views. In case you or a committee member would like to further discuss this, please call T. Thomas (803/553-8600, Ext. 250) or P. Gemeinhardt (412/777-4875).

SUN CHEMICAL CORPORATION
4605 Este Ave.
Cincinnati, OHIO 45232
Telephone: (513) 681-5950
Telex: (513) 6842012
Fax: (513) 641-3269

May 23, 1989

Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515
ATTN: HONORABLE ROBERT J. LEONARD

Dear Mr. Leonard:

This letter is written to object to the passage, HR1444, a bill to temporarily suspend duty on DMSS. DMSS is an Intermediate for use in the manufacturer of Organic Pigments. Previous to 1989 there was no domestic producer. All material was supplied by one imported source.

In 1989, a new producer has started up commercial production of DMSS. A suspension in duty on DMSS, would cause a reduction in the selling price in the market, and will reduce chances of success with this new producer.

Sun Chemical is a major producer of pigments in the USA and a major user of DMSS. Our future success relies on the establishment of more domestic producers in the USA, of our raw materials. This will give us a sound basis to compete on an international basis with our foreign competitors.

We strongly urge you to reject HR1444 and by doing so, assist us in establishing a new domestic producer of DMSS in the USA.

Sincerely,

Steve Schmidt

Steve Schmidt
Manager of Purchases

cc: Congressman Bill Gradison
550 Main Street
Cincinnati, OH 45202

Mr. Leo Webb
USITC
500 E Street SW
Suite 404
Washington, D.C. 20436

Ms. Barbara Steinbock
Deputy to the Director
Office of Industrial Trade
Room 2800A
U.S. Department of Commerce
14th and Constitution
Washington, D.C. 20230

H.R. 1445

To suspend temporarily the duty on pentachlorobenzenethiol.

WRITTEN STATEMENT
ON BEHALF OF
MOBAY CORPORATION
CONCERNING
H.R. 1445

BY
CARL L. CLAY
MARKETING MANAGER - RUBBER CHEMICALS
AND
PAUL G. GEMEINHARDT
DIRECTOR, COMMUNICATIONS & ADVOCACY FOR CHEMICAL INDUSTRY ISSUES

STATEMENT

Mobay Corporation, a member of the Bayer USA, Inc. group whose parent company is Bayer AG of Leverkusen, West Germany, is headquartered in Pittsburgh, PA. Since its formation in the early 1950s, Mobay has become a diversified manufacturer of chemical intermediates and polymeric resins. We supply products to broad areas of U.S. industry having need for polyurethane raw materials and polymers, agricultural chemicals, dyestuffs, pigments, plastic resins, coating ingredients, textile fibers and industrial chemicals.

While most of the products supplied to U.S. industry are produced domestically, we do import some chemicals for use in our own manufacturing operations or for direct distribution in this country when the size or demand in the American market cannot justify producing the chemical domestically. One such chemcal product is pentachlorobenzenethiol, also known as pentachlorothiolphenol (PCTP).

PCTP is imported from Bayer AG to form the base for a compounded product distributed in the American market. The production of the compound containing PCTP as the key ingredient is accomplished at Mobay's Bushy Park plant in Charleston, SC. PCTP is not made in the United States, nor is there a readily available domestic substitute.

PCTP, as supplied by Mobay, is used primarily by rubber processing companies where it serves as a critical ingredient in the processing of natural rubber into finished goods. Its role in the process is as a peptizing or dispersing agent by assisting in the physical breakdown of the natural rubber into small particles. Such physical breakdown of the rubber is an essential condition when the rubber is converted into products such as automobile tires.

Suspending the duty on PCTP will benefit the consumer by stabilizing the costs involved in making the end-use products. It will certainly benefit domestic manufacturers of vehicular tires, enabling them to compete more favorably in this highly competitive domestic and international market and also the domestic manufacturers of cars, trucks and other vehicles in need of rubber products.

The Committee is urged to pass the requested temporary suspension of duty.

Thank you for considering our views. In case more information is needed, please call C. Clay (412/777-4783) or P. Gemeinhardt (412/777-4875).

H.R. 1446

To suspend temporarily the duty on paramine acid.

WRITTEN STATEMENT
ON BEHALF OF
MOBAY CORPORATION
CONCERNING
H.R. 1446

BY
T. J. THOMAS
MANAGER, DYES RESTRUCTURING & ROCK HILL MANUFACTURING
AND
PAUL G. GEMEINHARDT
DIRECTOR, COMMUNICATIONS & ADVOCACY FOR CHEMICAL INDUSTRY ISSUES

STATEMENT

Mobay Corporation is a unit of Bayer USA, Inc. whose parent company is Bayer AG of Leverkusen, West Germany. From headquarters in Pittsburgh, PA, Mobay oversees major plant operations in Maryland, Missouri, South Carolina, Texas, and West Virginia. Since the company's formation in the early 1950s, Mobay has become a diversified manufacturer and marketer of chemical intermediate products and plastic resins.

Although most of the products marketed in the United States are manufactured here, we import some chemicals for use in certain plant operations when market volume does not justify domestic production, and when the chemical is not available in this country. A chemical product fitting these conditions is paramine acid, also known as paraphenylene diamine sulfonic acid.

Paramine acid is imported from Bayer AG and used as a raw material in the production of dyestuff at the Bushy Park plant in Charleston, SC. Dyestuff made from paramine acid is a bright greenish-yellow dye used primarily for coloring paper. The dye is unique in the paper dyeing field because of an outstanding property, known by experts as the dye's "topsidedness." This feature allows the dye to provide a uniform color on both sides of the paper by counterbalancing the properties of other yellow dyes usually used in the coloring operation. Without the paramine acid derived dye, color uniformity would be extremely difficult to obtain.

Because this property of the finished dyestuff is due to the chemical involvement of paramine acid in the manufacturing step, there is no replacement chemical for the acid and no known source of the acid in the United States.

A suspension of duty on paramine acid will lead to savings that can benefit domestic paper manufacturers and ultimately the American consumer by stabilizing the cost of manufacturing the end-use products.

We ask that the Committee consider these views when debating the question of a duty suspension and approve the request. For additional information on the matter, please call T. Thomas (803/553-8600) or P. Gemeinhardt (412/777-4875).

Thank you.

H.R. 1447

To suspend temporarily the duty on Trimethyl base.

WRITTEN STATEMENT
ON BEHALF OF
MOBAY CORPORATION
CONCERNING
H.R. 1447

BY
T. J. THOMAS
MANAGER, DYES RESTRUCTURING & ROCK HILL MANUFACTURING
AND
PAUL G. GEMEINHARDT
DIRECTOR, COMMUNICATIONS & ADVOCACY FOR CHEMICAL INDUSTRY ISSUES

STATEMENT

Mobay Corporation, a member of the Bayer USA, Inc. group whose parent company is Bayer AG of Leverkusen, West Germany, is headquartered in Pittsburgh, PA. Since its formation in the early 1950s, Mobay has become a diversified manufacturer of chemical intermediates and polymeric resins. We supply products to broad areas of U.S. industry having need for polyurethane raw materials and polymers, agricultural chemicals, dyestuffs, pigments, plastic resins, coating ingredients, textile fibers and industrial chemicals.

While most of the products supplied to U.S. industry are produced domestically, we do import some chemicals from Bayer AG that are not available in the United States for use in some of our production operations. One of these is trimethyl base, better known as Fischer's base.

Fischer's base, as imported by the Bushy Park plant in Charleston, SC, is used as a key raw material in the manufacture of cationic or basic dyes which Mobay markets in the U.S. There is no known domestic source for this chemical raw material and no available domestic substitute for use in its place.

Dyes produced from Fischer's base are used to color acrylic fibers, and as such, are vitally important to the domestic fiber manufacturers participating in this country's textile and apparel markets. Suspending duty on Fischer's base will lead to savings that benefit the U.S. producers of fibers, textile fabrics and apparel by helping them to compete in their own markets against imported textile and apparel products, and also in overseas markets.

We urge the Committee to give favorable treatment to this request, and thank you for considering our view. If additional information is necessary, please call T. Thomas (803/553-8600, Ext. 250) or P. Gemeinhardt (412/777-4875).

H.R. 1482

To suspend for a 3-year period the duty on diphenyldichlorosilane and phenyltrichlorosilane.

JOHN L. YOUNG
PATENT COUNSEL
GENERAL ELECTRIC COMPANY
GE SILICONES
WATERFORD, NEW YORK 12188

This statement is submitted in support of H.R.1482 by GE Silicones, a division of General Electric Company. GE Silicones is headquartered in Waterford, New York, which is the location of its phenylchlorosilanes manufacturing facilities and is responsible for the manufacturing, engineering, marketing and sales of all of General Electric Company's silicones products.

Diphenyldichlorosilane and phenyltrichlorosilane are important specialty raw materials used by the silicones industry to make silicone resins for high performance coatings with superior heat resistance and to make high clarity silicone rubber compounds for clear tubing and molded parts. Diphenyldichlorosilane has been produced in the U.S. only by GE Silicones. Phenyltrichlorosilanes has been produced in the U.S. by GE Silicones and one other manufacturer.

H.R.1482 will allow U.S. silicone producers to supplement their domestically produced silicone raw materials by temporarily suspending the duty on the import of these phenylchlorosilanes. The suspension of duty will enable U.S. consumers of these phenylchlorosilanes to obtain these materials on a favorable economic basis.

Silicones are produced from chlorosilanes which are simple monomers with organic groups and chlorine atoms attached to a single silicon atom. The vast majority of silicones are made from methylchlorosilanes. However, where special properties, such as increased high and low temperature performance or improved clarity, is required, phenylchlorosilanes are included as a silicone raw material.

Phenylchlorosilanes are costly to produce, and biphenyl, monochlorobiphenyl and dichlorobiphenyl (PCBs) are incidental by-products of their manufacture. General Electric Company has been the only U.S. producer of diphenyldichlorosilane and has a patented process for the removal of PCBs from phenylchlorosilanes which it has made available for license to all other phenylchlorosilanes producers. This process effectively removes from the phenylchlorosilanes the incidentally generated PCBs for their safe disposal by incineration. The current producer of imported phenylchlorosilanes employs this GE technology to remove from the products the incidental by-product PCB's in its production process. Certification of each shipment of imported phenylchlorosilanes assures no deviation from EPA requirements.

By increasing the economically attractive availability of phenylchlorosilanes through the temporary reduction of duty as provided by H.R.1482, it is felt that U.S. silicones producers can expand the market for specialty silicones containing phenylchlorosilanes. The duty-free status for phenylchlorosilanes will allow more efficient utilization of production facilities world-wide and minimize the production of unwanted by-products in these facilities.

/8565

H.R. 1483

To repeal the temporary suspension of duty on C-amines.

CABLES: BIDSAWYA, NEW YORK
TELEPHONE: (212) 736-1580

biddle sawyer
CORPORATION
2 Penn Plaza, New York, N.Y. 10121

I am Robert E. Chavkin, the President of Biddle Sawyer Corporation, 2 Penn Plaza, New York, New York. On behalf of Biddle Sawyer Corporation I write to express opposition to H.R. 1483, which would repeal the current temporary duty suspension for C-Amines (Lake Red C-Amine, 6-Chloro-3-Amino Toluene-4-Sulfonic Acid). We support the existing duty suspension.

The present duty suspension for C-Amines provides several real benefits to United States producers and consumers. First, it enables American companies to obtain reasonably priced sources of all grades of these essential products which are used to produce a variety of red pigments. Since American companies currently source all of their C-Amines from foreign suppliers, the suspension of import duties drives the price of C-Amines downward. Second, the cost-savings to American companies are then passed on to domestic consumers in the form of lower prices for red pigments. Third, the lower price of C-Amines which flows from the duty suspension enables American products incorporating these products to compete more aggressively in the world market. If the previous import duty is restored, it will increase the cost of the raw materials to American pigment producers. This will impair their ability to maintain their market share in the face of import competition for the final pigment products.

On the other hand, the levy of duty on C-Amines through repeal of the current duty suspension will not benefit any domestic producers for the simple reason that there are no such producers in the United States. We are informed that a chemical manufacturer in Michigan is trying to produce C-Amines, but has not yet succeeded. For the last five years American companies have depended on foreign sources of C-Amines because there has been no domestic source. Lake Red C-Amines must be available in at least four different grades in order to satisfy American pigment producers' needs. Each grade must also be obtainable in sufficient volume to satisfy domestic demand. To date there is no American production of any grade of C-Amines in any volume. Consequently, the repeal of the duty suspension will not benefit a domestic producer, but will penalize domestic companies and consumers. Given the absence of domestic productive capacity for C-Amines and the importance of these chemicals to the domestic market, repeal of the duty suspension at this time is premature.

For the foregoing reasons Biddle Sawyer Corporation respectfully requests that this Committee not favorably report H.R. 1483 and, therefore, that the repeal of the temporary suspension of import duties on C-Amines be denied.

By: R. E. Chavkin, President

For: BIDDLE SAWYER CORPORATION

TELEXES: 427471 BSCE UI 7607885 BSCE UC ● FAX (212) 239-1089

Lomac, Inc.
5025 EVANSTON AVENUE
MUSKEGON, MICHIGAN 49442
616-788-2341

May 17, 1989

Mr. Robert J. Leonard
Chief Counsel
Ways and Means Committee
U. S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

At the request of Lomac, Inc., Congressman Guy Vander Jagt introduced legislation to repeal the temporary suspension of duty on 'C' Amine. This bill is identified as H. R. 1483, dated March 16, 1989.

Lomac is a chemical manufacturer located in Muskegon, Michigan and currently supplies the printing ink industry with a chemical used to produce a yellow pigment.

'C' Amine had formerly been produced in the United States but the last producer terminated manufacture about three (3) years ago. Since that time the 'C' Amines have been imported, predominately from Korea and India.

The United States currently imports approximately two million pounds per year and since the duty has been removed, the economics of this project is severely undermined.

Lomac began to produce this product in March, 1989, and with a reinstatement of the duty on 'C' Amine, this project will be successful. 1.7 million has been invested in this project and additional manpower was secured to operate this process. We expect to successfully compete with our competition from the low-labor cost countries overseas.

Should you wish to have further information, please feel free to call.

Very truly yours,

Ralph J. Wolthuis

Ralph J. Wolthuis
Manager of Environmental
and Safety Department

RJW:mm

MAGRUDER
TARTAN
COLORS

MAGRUDER COLOR COMPANY, INC. ■ PIGMENT MANUFACTURERS
1029 NEWARK AVE. ■ ELIZABETH, N.J. 07201 ■ 201-242-1300 ■ 800-631-4461
TELEX 467259 FAX 201-242-[illegible] 4087

May 30, 1989

The House Ways & Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Honorable Sirs:

I am Allan Weissglass, President of Magruder Color Company, Inc. 1029 Newark Avenue, Elizabeth, New Jersey. On behalf of Magruder Color Company, Inc. I write to express opposition to H.R. 1483, which would repeal the current temporary duty suspension for C-Amines (Lake Red C-Amine, 6-Chloro-3-Amino Toluene-4-Sulfonic Acid). We support the existing duty suspension.

We are substantial users of C-Amines in manufacturing pigments for the printing ink industry. The present duty suspension provides us with real benefits both in our cost for our domestic consumers and in our ability to compete in the ever growing international marketplace.

With these very important facts in mind, I respectfully ask that this Committee not favorably report H.R. 1483 and, therefore that the repeal of the temporary suspension of import duties on C-Amines be denied.

Respectfully,

Allan Weissglass

ALLAN WEISSGLASS
President

AW/md

Ridgway
color
company

May 26, 1989

THE HOUSE SUBCOMITTEE ON TRADE
WAYS AND MEANS COMMITTEE
1102 Longworth House Office Building
Washington D.C. 20515

To The House Subcommittee On Trade, Ways And Means Committee:

My name is Thomas W. Rogers and I am the vice-president and general manager of Ridgway Color Company, 410 Glendale Milford Road, Cinncinnati, Ohio. I write to express opposition to H.R. 1483, which would repeal the current temporary duty suspension for C-Amines.

All current sources of C-Amine are foreign suppliers. Domestic manufacturers who export C-Amine containing pigments, will have a more difficult time competing with foreign pigment manufacturers. Since there are no current domestic manufacturers of C-Amine the re-imposition of duty helps no one.

For the above stated reasons the Ridgway Color Company respectfully requests that this committee not favorably report HR 1483 and that the repeal of the temporary suspension of import duties on C-Amine be denied.

Sincerely,

Thos. W. Rogers

Thomas W. Rogers
Vice President &
General Manager

TWR/kh

410 Glendale Milford Road
Cincinnati Ohio 45215
1-800-237-5495
513-771-1900

H.R. 1537

To suspend until the close of December 31, 1990,the duty on sulfachloropyridazine (technical).

DAVE NAGLE
3D DISTRICT, IOWA

14 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-3301

AT LARGE DEMOCRATIC WHIP

COMMITTEES:

AGRICULTURE
SCIENCE, SPACE, AND TECHNOLOGY

Congress of the United States
House of Representatives
Washington, DC 20515

DISTRICT OFFICES:

524 WASHINGTON ST.
WATERLOO, IA 50701
(319) 234-3623
(800) 772-1748

102 S. CLINTON ST.
ROOM 505
IOWA CITY, IA 52240
(319) 351-0788

16 EAST MAIN ST.,
ROOM 160
MARSHALLTOWN, IA 50158
(515) 753-6101

May 15, 1989

Congressman Sam Gibbons
Chairman
Subcommittee on Trade
1136 Longworth HOB
Washington, D.C. 20515

Dear Mr. Chairman:

I entered Bill H.R. 1537 on March 21, 1989 to suspend the duty on the chemical compound sulfachloropyridazine (technical).

On Line 5 of the bill, the language reads: 'On or before 12/31/90'. This portion of the bill was intended to read: 'On or before 12/31/92'. I would appreciate it if the Committee would amend the bill to incorporate the 12/31/92 date.

I appreciate your consideration in this matter; please contact me if there are any questions.

Sincerely,

Dave

Dave Nagle
M.C.

H.R. 1571

To amend the Harmonized Tariff Schedule of the United States to suspend the duties on certain bicycle parts, and for other purposes.

Before the
House Ways & Means Committee
Subcommittee on Trade

STATEMENT OF THE BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA, INC. IN SUPPORT OF H.R. 1571 AND H.R. 1855

This statement is submitted on behalf of the Bicycle Manufacturers Association of America, Inc. ("BMA"), a nonprofit, voluntary trade association of domestic manufacturers who produce more than 80 percent of the bicycles made in the United States. The three bicycle manufacturer members of BMA include Huffy Corporation, Murray Ohio Manufacturing Company, and Roadmaster Corporation. BMA also has 11 associate members that manufacture components for bicycles, both abroad and in the United States. A copy of BMA's membership list is attached as Appendix A.

BMA requested the introduction of H.R. 1571 and H.R. 1855, which extend and supplement existing temporary duty suspension provisions applicable to certain bicycle parts not manufactured in the United States. The two bills are largely duplicative of one another. H.R. 1571 and H.R. 1855 would both: (1) renew existing duty suspension provisions, scheduled to expire at the end of 1990, that allow for the duty-free entry of certain major bicycle components, including tires and tubes, certain brakes and brake parts, chain, sprockets, derailleurs and certain hubs; (2) suspend the duties on two additional bicycle components — "bicycle handlebar stems wholly of aluminum alloy, valued over $2.15" and "bicycle handlebar stem rotor assemblies" -- which are not available from U.S. sources; (3) clarify that cantilever brakes are to be treated in the same manner as caliper brakes for tariff purposes, including duty suspension; and (4) eliminate the inverted tariff applicable to both types of brakes and certain parts of these brakes during periods when duty suspension is not in effect. In addition, H.R. 1855 contains an important provision, absent from H.R. 1571, that would suspend, for the first time, the regular duties on certain machinery used in the manufacture of bicycles (i.e., "wheelbuilding, wheeltruing, rim punching, tire fitting and similar machines for use in the manufacture of wheels for bicycles").

As between the two bills, BMA supports adoption of section 1 of H.R. 1855 in lieu of section 1 of H.R. 1571, as the later bill contains the omitted wheelbuilding machine provision. On the other hand, BMA believes that sections 2, 3 and 4 of H.R. 1571 are, with one exception, technically superior to the corresponding provisions in H.R. 1855, in that they implement the extension of the existing duty suspension provisions on January 1, 1991; a corresponding provision is not present in H.R. 1855. The one exception is that a provision similar to section 3(b) of H.R. 1855, which clarifies that "parts of caliper and cantilever brakes" will no longer be covered by HTSUS subheading 8714.94.50, should be included in the appropriate order in the third section of the bill as passed, which in all other respects should correspond to section 3 of H.R. 1571.

BMA believes that the provisions of these bills — particularly the renewal of the existing duty suspension provisions — are critical to the continued international competitiveness of the U.S. bicycle industry. Duty suspension is a unique system of tariff reduction that allows U.S. bicycle manufacturers to improve their price competitiveness with imports while maintaining full support for their existing supplier infrastructure. Duties on bicycle parts are not reduced permanently, but only for so long as there is no commercial production of specific components. Periodic renewal of the suspension provisions insures that firms with an interest in resuming domestic production of these components will not be discouraged from doing so by the permanent diminution of tariff protection. Because the suspension provisions give U.S. bicycle manufacturers the benefit of deep tariff cuts on parts not made in the United States, domestic bicycle producers are able to forego the benefits of more modest tariff reductions on all bicycle parts without suffering a decline in cost competitiveness vis-a-vis foreign bicycle manufacturers. In short, duty suspension helps domestic bicycle manufacturers without exacting a price from their U.S. parts suppliers.

History of Duty Suspension Legislation

Congress first suspended the duties on certain bicycle parts in 1971. It has subsequently renewed the duty suspension legislation five times, in 1974, 1977, 1980, 1983, and 1988,[1] each time making changes in the list of eligible components in order to reflect changes in domestic supply. During the six sessions that it considered such legislation, Congress recognized that, absent passage of a duty suspension bill, the Tariff Schedules of the United States contained an unfair bias against domestic manufacturers of bicycles. Many imported bicycles were, and continue to be, dutiable at a lower rate than most bicycle parts. This anomaly, if uncorrected by duty suspension legislation, enables foreign bicycle manufacturers to assemble bicycles abroad with foreign bicycle parts and import the complete product (including the component parts) into the United States, subject to the lower duty rate imposed on bicycles. By contrast, domestic manufacturers of bicycles must first import certain components necessary to complete the manufacture of a bicycle at the higher duty rates generally imposed on bicycle parts.

Without duty suspension, the Tariff Schedules, in effect, impose a penalty on the manufacture of bicycles in the United States, where the costs of doing business are already significantly higher. Even the high productivity and efficiency of the United States bicycle industry cannot offset the extremely low wage rates available to bicycle manufacturers in the principal exporting nations. Moreover, foreign producers usually do not have to undertake expenditures for workmen's compensation, occupational safety, pollution control and a vast array of social legislation that increase the cost of doing business in this country.

By suspending the duties on only those bicycle components not manufactured in the United States, Congress was able to eliminate a substantial part of this tariff penalty on U.S. bicycle producers without diminishing the tariff protection received by U.S. firms continuing to produce other types of bicycle parts. The absence of commercial production in the United States remains the central criterion for eligibility for duty suspension. Indeed, on a number of occasions since the inception of bicycle part duty suspension in 1971, individual parts have been deleted from the suspension provisions after a U.S. firm expressed its intention to resume domestic production.

Present Need for Suspension of Duties on Bicycle Parts

The need for continued suspension of the duties on bicycle parts not manufactured in the United States in order to improve the competitiveness of U.S. bicycle manufacturers has never been more urgent. Since 1982, the U.S. bicycle industry has been subjected to an import surge of unprecedented proportions. Between 1975 and 1982, import penetration remained fairly constant at between 16 and 24 percent of apparent domestic consumption. See Appendix B. In the recession year of 1982, imported bicycles accounted for 23.1 percent of the U.S. market. With the recovery of demand in 1983, imports rose by almost 74 percent in volume and took fully 30 percent of the market. From there, the trend was only upward: import penetration rose to 41.8 percent in 1984, 49.3 percent in 1985, 57.1 percent in 1986 and 58.5 percent in 1987. Other industries have experienced import penetration rates in excess of these levels, but we are aware of no U.S. industry that has been subjected to such a steep rise in imports' market share within such a short period of time.

Although total market demand during this period was the highest since the "bicycle boom" years of the early 1970s, domestic bicycle manufacturers benefited little from that increase in demand. Between 1983 and 1987, domestic producers' shipments fell by more than one million units, from 6,271,000 bicycles to 5,211,000. This 17 percent decline occurred despite a 40 percent increase in the market during this period. Indeed, domestic shipments in 1987 were only slightly above the depressed shipment levels of 1982, a recession year that was the U.S. industry's (and imports') worst sales year in the modern era.

In 1988, the import surge finally showed some signs of moderating, as import penetration fell marginally to 55.0 percent. This modest drop was primarily due to reduced overall demand and to the significant depreciation of the dollar vis-a-vis the currency of Taiwan, which accounted for more than 78 percent of U.S. bicycle imports between 1983 and 1987. BMA is optimistic that import penetration will continue to decline in 1989, as the NT dollar continues to appreciate. If recent trends are an indication, however, it is reasonable to expect that other foreign countries will rush in to supply at least some of the void left by Taiwan. In particular, Korea -- which has also seen its currency appreciate, but at a pace less than Taiwan's -- and the People's Republic of China have substantially increased their exports of bicycles to the United states over the past five years. Unfortunately, therefore, the U.S. bicycle industry is fairly assured of having to share at least half its market with foreign suppliers for the foreseeable future.

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[1] Pub. L. 91-689 suspended the duty on certain imported bicycle parts from January 1971 through December 31, 1973. Pub. L. 93-490 extended the duty suspension through December 31, 1976; Pub. L. 95-161, through June 30, 1980; Pub. L. 96-467, through June 30, 1983; Pub. L. 97-446, through June 30, 1986; and Pub. L. 100-418, through December 31, 1990.

In the face of this intense foreign competition, duty suspension is critically important to the domestic industry's survival. In 1988, the bicycle part duty suspension provisions that H.R. 1571 and H.R. 1855 would renew saved U.S. bicycle manufacturers approximately $10 million in duties allocated over 4.5 million bicycles produced, or about $2.25 per bicycle. This is a very substantial figure considering the average selling price of most U.S.-made bicycles (i.e., under $100 retail) and the intensity of price competition in the market; indeed, pennies often determine who makes the sale. It should be noted, however, that duty suspension has its greatest impact on the lightweight bicycle category because of the use on these bicycles of such duty-suspended (and relatively expensive) components as derailleurs and caliper brakes. Import competition in the lightweight category is especially severe, principally because the duty on lightweights is only 5.5 percent. Hence, any failure to renew duty suspension would be particularly harmful to U.S. production of lightweight bicycles.

Description of H.R. 1855

Section 1 of H.R. 1855 would suspend the regular customs duty on certain machines used in the manufacture of wheels for bicycles, including wheelbuilding, wheeltruing, rim punching, tire fitting and similar machines. While the regular customs duty on these machines is a relatively modest 3.7 percent, the high cost of these sophisticated machines (e.g., $30,000 - $200,000) and U.S. bicycle manufacturers' need to replace them on a regular basis ensures that suspension of the regular duty will substantially lower the overhead costs of U.S. bicycle manufacturers. These machines are not available from U.S. sources, and the regular duty therefore benefits no domestic industry. The machines are currently manufactured in France, The Netherlands and Japan and are distributed by Sturmey-Archer of America, Inc. and Sun Metal Products, Inc.

This provision is intended to cover only those machines which are used in the manufacture of bicycle wheels from previously fabricated components (e.g., rims, spokes and hubs). Neither the wheel components themselves nor the machines used to manufacture them are within the intended scope of the wheel manufacturing machine provision. BMA believes that this understanding should be reflected in either the legislation itself via appropriate legislative language or in the text of the Committee's report on the bill.

The two other products covered by section 1 -- "bicycle handlebar stems wholly of aluminum alloy, valued over $2.15" and "bicycle handlebar stem rotor assemblies" -- were the subject of H.R. 4313, which was reported favorably by the House Ways and Means Committee last year. Other provisions contained in H.R. 4313, as originally introduced, were dropped at the request of BMA after it became known that there was some domestic production of these components. It is believed that the two bicycle parts currently covered by section 1 are not manufactured in the United States and that there is no domestic industry opposition to suspending the duties on these components.

Section 2 would renew the existing duty suspension provisions covering bicycle tires and tubes, bicycle chain, and generator lighting sets. The Omnibus Trade and Competitiveness Act of 1988 suspended the duties on these bicycle parts through December 31, 1990. Section 2 would extend the expiration date to December 31, 1996. While extensions of bicycle part duty suspensions have in the past generally been limited to four years, the bill here includes a six-year extension in order to have the next expiration of these provisions coincide with the expirations of the duty suspension provisions enacted in the 1988 Technical Corrections Act. It is believed that placing all duty suspension expirations at the end of the 104th Congress will maximize the chances for timely renewal, if appropriate.

The purposes of section 3 of the bill are to (1) clarify that cantilever brakes for bicycles are to be treated in the same manner as caliper brakes for tariff purposes, including duty suspension, and (2) eliminate the "inverted tariff" applicable to both types of brakes and certain parts of these brakes during periods when duty suspension is not in effect. Existing duty suspension provisions covering these components (and a large number of other components) are also renewed through December 31, 1996.

The only remaining U.S. volume producer of caliper and cantilever brakes for bicycles is Dia-Compe, Inc., the subsidiary of a Japanese company based in Fletcher, North Carolina. At the present time, Dia-Compe assembles a portion of its caliper and cantilever brakes from parts imported from its parent company in Japan. Several other companies that manufacture bicycles in the United States also assemble caliper and cantilever brakes for their own use from parts imported from the Far East.

Cantilever brakes are a type of bicycle braking system that has grown greatly in popularity over the last five years. Cantilever brakes, like the "center pull" caliper brakes from which they evolved, operate by pressing against the lateral surface of the tire rim. Like caliper brakes, cantilever brakes are activated by hand levers connected to the brakes by cables; indeed, the hand levers and cables used for the two types of brakes are identical, and it is common for a bicycle braking system to consist of a front-mounted cantilever brake and a rear-mounted caliper brake. The only real difference between the two types of brakes is that caliper brakes, as the name implies, operate as calipers from a single pivot point positioned above the wheel; cantilever brakes, by contrast, consist of two separate braking units mounted on pivots on each blade of the front fork (and/or the rear seat stays) which contact the wheel rim when the brake cable is activated.

The bill would amend HTSUS subheading 8714.94.20 by replacing the term "caliper brakes" with "caliper and cantilever brakes" in order to make clear that these similar types of bicycle braking systems should be treated the same for tariff purposes. Complete caliper brakes and caliper brake parts, including cable or inner wire for caliper brakes and casing therefor, whether or not cut to length, have for some time been entitled to duty-free treatment pursuant to temporary duty suspension legislation. The Customs Service has thus far given similar treatment to cantilever brakes and parts thereof; the bill would ratify this practice by amending the relevant duty suspension provisions so as to apply to "caliper and cantilever brakes," or parts thereof, as appropriate.

The bill would also eliminate the "inverted tariff" applicable to caliper and cantilever brakes. Complete caliper brakes are currently classifiable under HTSUS subheading 8714.94.20, which bears a regular duty rate of six percent *ad valorem*; the bill would insure identical treatment for cantilever brakes. Under *General Rule of Interpretation* 3 and Additional U.S. Rule of Interpretation 1(c) of the Harmonized Tariff Schedule, certain caliper and cantilever brake parts, such as cable or inner wire for caliper and cantilever brakes and casing therefor, whether or not cut to length, are classifiable under HTSUS subheading 3917.32.00 and under various subheadings under chapter 73 (*e.g.* 7312.10.05, 7312.10.10, 7312.10.20, 7312.10.30, 7312.10.50, 7312.10.60, 7312.10.70, 7312.10.90, and 7326.90.90). The duty rates on all of these items are less than the six percent duty on complete caliper and cantilever brakes. Other caliper and cantilever brake parts that are not covered by a more specific HTSUS provision are currently classified as "brake parts" under HTSUS subheading 8714.94.50. HTSUS subheading 8714.94.50 bears a regular duty rate of 10 percent *ad valorem* -- more than the six percent duty applicable to complete caliper and cantilever brakes.

The bill would eliminate the duty disparity between complete caliper and cantilever brakes and caliper and cantilever brake parts that are currently classified under HTSUS subheading 8714.94.50. The legislation would accomplish this by increasing the coverage of HTSUS subheading 8714.94.20 to include caliper and cantilever brakes "and parts thereof." This would effectively lower the regular duty for these caliper and cantilever brake parts from 10 percent to six percent *ad valorem*. The legislation would have no effect upon those caliper and cantilever brake components currently classified under various HTSUS subheadings in chapters 39 and 73. On several occasions, Congress has failed to renew the temporary duty suspensions for caliper brakes and other bicycle parts before their scheduled expiration, forcing the U.S. Customs Service to collect deposits of the regular duties from Dia-Compe and other U.S. importers pending passage of the renewal legislation. Indeed, the latest period of duty suspension expired on June 30, 1986 and was not renewed until October 1988. While the renewal legislation was retroactive once passed, Dia-Compe and others were forced to deposit the regular duties on their imports of caliper and cantilever brakes and brake parts during the pendancy of the bill. The 10 percent duty on those brake parts presently classified under HTSUS subheading 8714.94.50 placed a significant burden on these companies' cashflow and forced them to consider importing only complete caliper and cantilever brakes rather than assemble them in the United States.

Dia-Compe and other importers of caliper and cantilever brake parts are also concerned that Congress might one day decide not to continue suspending the regular duties on bicycle parts, including caliper and cantilever brakes and parts thereof. If that were to occur, the current inverted tariff structure would likely force these companies to suspend their U.S. assembly operations in favor of importing complete caliper and cantilever brakes, with a resultant loss in U.S. employment. While the U.S. bicycle industry fully expects Congress to continue its longstanding policy of suspending the duties on bicycle parts not manufactured in the United States, eliminating the inverted regular tariff that currently exists with respect to caliper and cantilever brakes and certain parts thereof would increase the prospect that the U.S. assembly of caliper and cantilever brakes would continue in the unlikely event that the duty suspension legislation is not renewed.

Conclusion

The list of items covered by duty suspension has been periodically modified to take into account the presence or absence of domestic production of the relevant parts. Where there existed a domestic commercial production capability for a particular item, that item would be eliminated from the duty suspension list. Thus, duty suspension has generally been treated as "noncontroversial" legislation, notwithstanding its fundamental importance to the domestic industry.

Duty suspension on bicycle parts reflects the continuation of Congressional concern that U.S. manufacturers -- when necessary -- be able to obtain, free of duty, foreign-made components that are domestically unavailable. BMA urges the Subcommittee to give prompt consideration and expeditious approval of legislation renewing and extending duty suspension provisions applicable to bicycle parts and certain wheel manufacturing machinery.

Respectfully submitted,

Michael R Kershow

THOMAS F. SHANNON
MICHAEL R. KERSHOW
Collier, Shannon, Rill & Scott
1055 Thomas Jefferson Street, N.W.
Suite 300
Washington, DC 20007
202/342-8580

Counsel to the Bicycle Manufacturers
Association of America, Inc.

APPENDIX A

BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA, INC.

MEMBER ROSTER

Huffy Corporation
P.O. Box 1204
Dayton, Ohio 45401
(513) 866-6251

Murray Ohio Manufacturing Company
Franklin Road
Brentwood, Tennessee 37027
(615) 373-6500

Roadmaster Corporation
P.O. Box 344
Olney, Illinois 62450
(618) 393-2991

ASSOCIATE MEMBER ROSTER

Dia-Compe, Inc.
Box 798
Fletcher, North Carolina 28732
(704) 684-3551

Excel International Group, Inc.
328 East Main Street
Barrington, Illinois 60010
(312) 382-1350

Hunt-Wilde Corporation
2835 Overpass Road
Tampa, Florida 33619
(813) 623-2461

Huret Et Ses Fils
6 Avenue Felix Faure
92000 Nantere, Paris, France
204-54-01

Persons-Majestic Manufacturing Co.
21-31 Hamilton Street
Monroeville, Ohio 44847
(419) 465-2504

Sate-Lite Manufacturing Company
6220-30 Gross Point Road
Niles, Illinois 60648
(312) 647-1515

Shimano American Corporation
1 Shimano Drive
Irvine, California 92718
(714) 951-5003

Sturmey-Archer of America, Inc.
1014 Carolina Drive
West Chicago, Illinois 60185
(312) 231-5150

Thun, Inc.
P.O. Box 3159
Clarksville, Tennessee 37040
(615) 552-4011

Union Sils, Van De Loo & Company
P.O. Box 1540, D-5758
Frondenberg, West Germany
0-23-73-75-31

Wald Manufacturing Company, Inc.
P.O. Box 10
Maysville, Kentucky 41056
(606) 564-4078

APPENDIX B

BICYCLE STATISTICS (1975-88)*

Year	Domestic Shipments	Import Shipments	Total Shipments	% Import To Total	Taiwan Shipments	% Taiwan Shipments To Total Imports
1975	5,606,000	1,722,000	7,238,000	23.5%	364,000	21.2%
1976	6,177,000	1,653,000	7,830,000	21.1%	566,000	34.2%
1977	7,484,000	1,884,000	9,368,000	20.1%	658,000	34.9%
1978	7,492,000	1,872,000	9,365,000	20.0%	780,000	41.6%
1979	9,038,000	1,763,000	10,801,000	16.3%	943,000	53.5%
1980	6,942,000	2,048,000	8,990,000	22.8%	1,005,000	49.1%
1981	6,832,000	2,100,000	8,931,000	23.5%	1,100,000	52.3%
1982	5,170,000	1,551,000	6,721,000	23.1%	976,000	62.9%
1983	6,271,000	2,693,000	8,964,000	30.0%	1,915,000	71.1%
1984	5,863,000	4,206,000	10,069,000	41.8%	3,227,000	76.7%
1985	5,780,000	5,612,000	11,392,000	49.3%	4,478,000	79.8%
1986	5,275,000	7,008,000	12,283,000	57.1%	5,841,000	83.3%
1987	5,211,000	7,357,000	12,568,000	58.5%	5,607,000	76.2%
1988	4,451,000	5,439,000	9,890,000	55.0%	3,588,000	66.0%

* Does not include bicycles with wheels under 19 inches in diameter.

Statement on behalf of
Bicycle Wholesale Distributors Association
In Support of H.R. 1571; H.R. 1855; H.R. 1785 and H.R. 1981

Before the Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives

May 31, 1989

The Bicycle Wholesale Distributors Association (BWDA) is in support of H.R. 1571; 1855; 1785; and H.R. 1981.

Submitted By:

Lewe B. Martin, Counsel for BWDA; Thompson, Hine and Flory; 1920 N Street, N.W.; Washington, D.C.; (202) 331-8800.

BWDA Membership:

This organization is a nationwide trade association whose membership consists of approximately 50 wholesale distributor and 65 associate (supplier) members located in some 18 states and Puerto Rico. BWDA members manufacture and/or sell all types of bicycles, bicycle parts and accessories.

A list of the distributor members is included in Attachment A hereto.

Comments:

H.R. 1571 and H.R. 1855:

The BWDA submits this statement in support of H.R. 1571 and 1855. The bills will allow the U.S. producers of bicycles and replacement market suppliers to import, without duty, certain component parts of bicycles which are not produced on a commercial scale in the U.S. This legislation renewing certain existing duty suspension provisions and providing for duty suspension on certain bicycle parts for the first time is supported by BWDA because it makes U.S. produced bicycles more competitive with imported complete bicycles, as the statutory duty on the parts for which there will be a suspension is higher than the duty on most imported bicycles.

Further the BWDA believes these duty suspensions to be noncontroversial as it is not aware that any domestic firm produces the following bicycle parts included:

in H.R. 1571 -

1. Bicycle parts included in Subheadings 9902.40.11; 9902.73.15 and 9902.85.12 of the Harmonized Tariff Schedule of the United States.
2. Bicycle handlebar stems wholly of aluminum alloy valued over $2.15 (provided for in Subheading 8714.99.90)
3. Bicycle handlebar stem rotor assemblies (provided for in Subheading 8714.99.90)
4. Cantilever brakes

in H.R. 1855 -

1. Bicycle parts included in Subheadings 9902.40.11; 9902.73.15 and 9902.85.12 of the Harmonized Tariff Schedule of the United States.
2. Wheelbuilding, wheeltruing, rim punching, tire fitting and similar machines for use in the manufacture of wheels for bicycles (provided for in Subheading 8479.89.90)
3. Bicycle handlebar stems wholly of aluminum alloy valued over $2.15 (provided for in Subheading 8714.99.90)
4. Bicycle handlebar stem rotor assemblies (provided for in Subheading 8714.99.90)
5. Cantilever brakes

BWDA submits that no domestic producer would be affected by the duty suspensions contained in H.R. 1571 and H.R. 1855.

H.R. 1785:

BWDA submits that a delicate balance of the interests of the bicycle industry and the bicycle component parts industry has been reached through repeated revision of the Tariff Schedules of the United States so as to allow duty free import of those categories of bicycle component parts which are not manufactured domestically. BWDA further submits that this balance would be destroyed by exempting otherwise dutiable bicycle component parts from the customs laws of the United States through granting Foreign Trade Zone (FTZ) status to bicycle manufacturing and assembly plants in the United States and that the preservation of such balance is in the public interest and in the interest of the domestic bicycle industry.

The BWDA agrees with the inclusion by Congress in the Ominbus Trade and Competitiveness Act of 1988, of the 1991 extension of provisions which deny the use of Foreign Trade Zones (FTZ) for the purpose of assembling bicycles with imported components. H.R. 1785 further extends the prohibited use of a FTZ for the assembly of bicycles using imported components from January 1, 1991 to December 31, 1996. This action aligns the tariff treatment of duty suspended items in H.R. 1571 and H.R. 1855 and use of dutiable items in a FTZ in the same time frame through December 31, 1996. All segments of the domestic bicycle industry should benefit from the knowledge that this part of the U.S. tariff system will not be revised for another seven years.

The hoped for result will be a successful production of bicycles in the United States which will support the continued domestic manufacture of component parts for bicycles. Such domestic production will serve to ensure a continuity of supply of replacement parts distributed by BWDA members.

H.R. 1981:

This bill changes the metric dimensions, contained in the Headings of the HTS for bicycles classified in Subheadings 8712.00.10 and 8712.00.20 as to the diameter of both wheels, and Subheading 8712.00.20 at to the cross section diameter of the tires for which such bicycles were designed, to metric dimensions which more closely approximate the same inch dimensions included in Headnote describing TSUS items 732.14, 732.16 and 732.18.

The drafters of the HTS rounded the inch equivalents upward in the case of wheel diameters from 63.5 cm (25 in.) to 65 cm and downward in the case of tire diameters from 4.13 cm (1.625 in.) to 4 cm.

BWDA shares the concern of others in the U.S. bicycle industry that bicycles with both wheels having 26 inch diameters possibly could be classified in 8712.00.10 rather than 8712.00.20 where such bicycles have been historically classified. BWDA submits this was a result not intended by the enactment of the HTS. H.R. 1981 will make clear the classification for Customs duty purposes of imports of bicycles with both wheels exceeding 63.5 cm or 25 inches in diameter is under Subheading 8712.00.20 at a duty rate of 5.5% ad valorem.

0145d

ATTACHMENT A

Distributor Members
Bicycle Wholesale Distributors Association

Allied Cycle Distributors
Waltham, MA 02254-0430

Arizona Bicycle Wholesale
Tempe, AZ 85281

F.A. Baker Co., Inc.
Maspeth, NY 11378

Bauer Cycle Supply Inc.
Minneapolis, MN 55401

Bike Brokers
N. Ft. Myers, FL 33903

Bike Rack Inc.
Hauppauge, NY 11787

John T. Bill Co.
Glendale, CA 91205

Bridgestone Cycle USA, Inc.
San Leandro, CA 94577

Clayton Cycle Company
St. Louis, MO 63118

Columbus Cycle
Columbus, OH 43216

Crandall Hicks Company
Ashland, MA 01721

Cycles Peugeot, U.S.A., Inc.
Carlstadt, NJ 07072

Denco Distributors Inc.
Bronx, N.Y. 10451

Derby Cycle Corporation
Carson, CA 90230

Detroit Cycle Supply Co.
Detroit, MI 48201

District Cycle Supply Co., Inc.
Beltsville, MD 20750

Eastern Cycle Supply Co.
Worcester, MA 01603

T. Eki, Inc./Eki Cyclery
Honolulu, HI 96817

Everything Bicycles
Compton, CA 90220

Farber Cycle, Inc.
Troy, MI 48083

Herbert L. Flake Co., Inc.
Houston, TX 77087

Frank's Wholesale, Inc.
Phoenix, AR 85109

Fridrich Bicycle Inc.
Cleveland, OH 44113-3786

Howard W. Georger Co., Inc.
Buffalo, NY 14227

Giant Bicycle, Inc.
Rancho Dominquez, CA 90220

Gordon Cycle Supply, Inc.
Cleveland, OH 44108

Hawaii Bicycle Supply Co.
Pearl City, HI 96782

Robert Heaton Inc.
Fremont, CA 94536

Island Cycle Supply Co.
Minneapolis, MN 55401

G. Joannou Cycle Company, Inc.
Northvale, NJ 07647

Hans Johnsen Company
Dallas, TX 75247

KHS Inc.
Carson, CA 90746

Leeworld Co., Inc.
Gardena, CA 90248

Merry Sales Co.
San Francisco, CA 94103

Miami Bicycle & Supply, Inc.
Miami, FL 33144

More Cycle Co., Inc.
Miami, FL 33166

Emilio Mulero, Inc.
Caguas, Puerto Rico 00626

North America Tradimpex Corp.
Melville, NY 11747

Olympic Supply Company
Milwaukee, WI 53218

Pacific Cycle Sales Inc.
Yakima, WA 98907

Mel Pinto Imports, Inc.
Falls Church, VA 22042

Quality Bicycle Products
Richfield, MN 55423

Rite-Way Products
Placentia, CA 92670

Schwinn Bicycle Co.
Chicago, IL 60606-1111

Seattle Bike Supply
Kent, WA 98032

Service Cycle Supply Corp.
Commack, NY 11725

Sun World Distributors, Inc.
Jacksonville, FL 32207

Western States Import Co., Inc.
Newbury Park, CA 91320

Wilson Bicycle Sales Inc.
Hayward, CA 94544

Wisconsin Cycle Supply Co., Inc.
Sheboygan, WI 53081

0132d

COMMENTS REGARDING

H.R. 1785, H.R. 1571 AND H.R. 1855

Cycle Parts and Accessories Association, Inc.
181 Salem Road
East Hills, N.Y. 11577
(516) 484-7194

Introduction

The Cycle Parts and Accessories Association (CPAA), a national trade organization whose membership comprises the leading U.S. manufacturers of bicycle components, desires to record its strongest support of H.R. 1785 and bicycle parts duty suspension legislation. These provisions, already in place for many years, cover the suspension of duty on specific bicycle parts not made in this country and the full dutiability of bicycle parts located in foreign trade zones.

When the House Ways and Means Committee included these provisions in H.R. 4848 last Congress, it did so in response to a large body of data supplied over many years by this association and individual manufacturers. In the subsequent period new import statistics compiled by the Commerce Department reinforced your Committee's decision.

Permit us to briefly cite some critical background in support of these provisions.

History of Duty Suspension Bill

In 1970, Representative Fulton of Tennessee first proposed the duty suspension bill for bicycle parts. Public Law 91-689, commonly known as the "Fulton Bill", created two duty free categories in the tariff schedules, TSUS items 912.05 and 912.10, which then encompassed nine parts: generator lighting sets, deraileurrs, caliper brakes, drum brakes, three speed hubs incorporating coaster brakes, three speed hubs not incorporating coaster brakes, click twist grips, click stick levers and multiple free wheel sprockets. These duty free categories were extended for an additional three year period in 1974 by Public Law #93-490.

In 1977, legislation sponsored by Representative Dan Rostenkowski, Public Law 95-161, extended the duty suspension until June 30, 1980. That bill deleted derailleurs, due to the emergence of a domestic source of supply, and added coaster brakes, cotterless type crank sets, rims and certain frame tubing to the duty free categories. The legislation also provided duty free treatment for parts of the items appearing in TSUS 912.10

Representative Rostenkowski again sponsored the extension of duty free treatment in 1980. That legislation, Public Law 96-467, deleted "rims" from the category and inserted "frame lugs" and "two speed hubs with internal gear changing mechanisms."

In 1983, the duty suspension bill was extended for an additional three year period. Once again, there were various adjustments in the list of components covered.

In 1984, Congress passed Public Law #98-573, which required full dutiability of bicycle parts in foreign trade zones. This law expired on June 30, 1986, the "sunset" date for bicycle parts duty suspension legislation. Congress extended both of these provisions through December 31, 1992, by means of Public Law #100-418.

Bicycle parts duty suspension legislation, currently before this committee (H.R. 1571 and H.R. 1855), contains more bicycle components than ever before. Duty suspension has proved a valuable device for the bicycle manufacturers in helping them cope with their foreign competition. Statistics compiled by the U.S. International Trade Commission indicate that approximately 70 percent of all imported parts enter U.S. Commerce on a duty free basis.

Although the addition and deletion of bicycle parts through the years may appear to be haphazard, that is hardly the case. The litmus test has always been, as it should be now, whether or not there is a domestic source of supply for the product in question. If there is no domestic source of supply, levying a duty on the product does not confer any measure of protection to the U.S. parts industry and only adds to the cost for U.S. bicycle manufacturers.

There are thus two basic reasons for these bicycle parts suspension bills: To eliminate duties which do not serve any protective purpose and to improve the competitive posture of American bicycle manufacturers vis a vis the importers.

The Linkage With Foreign-Trade Zones

CPAA has always dealt reasonably and honorably with the bicycle manufacturers. Our members have repeatedly offered support for duty suspension legislation , as we do now. In consideration for this support, CPAA received assurances that the duty on those remaining parts still produced in this country would not be contested by them. That was the understanding and both sides have lived by it in industry peace and harmony for eighteen years.

However, this symbiotic relationship has been threatened by some bicycle manufacturers who can exploit the Foreign Trade Zone program to evade proper duty payments on their imported components. H.R. 1785 closes this loophole.

Without this check on foreign trade subzones, the cost of imported bicycle components would immediately drop in two ways. First, it would drop because manufacturers could pay duty at the lower finished bicycle rate. The current duty rate on most bicycle components is 10%. The rate on a finished lightweight bicycle is only 5.5%. Thus, a bicycle manufacturer in a foreign trade subzone could import a pedal, assemble it on a lightweight bicycle, and then pay only a 5.5% duty on the value of that pedal. This then is the primary attraction of foreign trade zones and subzones today: the circumvention of our U.S. Customs laws.

Secondly, in a foreign trade zone or subzone the duty would only be paid when the bicycle is shipped. This deferral of duty would encourage bicycle manufacturers to hold larger inventories of imported components for longer periods of time and thereby cut into the last area where U.S. parts manufacturers have a slight competitive advantage over importers.

Foreign trade subzones will undermine the infrastructure of the bicycle industry. Many enlightened bicycle manufacturers recognize this. However, they hasten to add that if a single manufacturer were to get a subzone, the others would immediately follow suit under a domino type reaction. In an industry where pennies often make the difference between a sale or no sale to a mass merchant account, no bicycle manufacturer could possibly survive without a foreign trade subzone if its competition had one.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

U.S. parts and bicycle producers are fighting for their survival as their market has been overwhelmed by imports. We can continue to do so provided that the legislative status quo is maintained.

The bicycle manufacturers are seeking to continue in effect legislation having its origin in 1971 suspending the duty on bicycle parts no longer manufactured in the U.S. We ask you to also continue in effect legislation enacted in the 98th congressional session which prevents U.S. bicycle manufacturers from using foreign trade zones and subzones as a device to cut tariffs on bicycle parts that are still made in this country, except in the limited circumstance where the finished product is exported, thus addressing both the needs of the U.S. Bicycle manufacturer and the needs of the U.S. parts producers. We urge your passage of H.R. 1785 and of bicycle parts duty suspension legislation.

Respectfully submitted.
CYCLE PARTS AND ACCESSORIES
ASSOCIATION, INC.

By John Auerbach
John Auerbach, Manager

CONGRESSMAN CARL C. PERKINS
WRITTEN STATEMENT REGARDING
H.R. 1785, H.R. 1571 and H.R. 1855

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

I am filing these written comments today with the Subcommittee in support of H.R. 1785, which I introduced, H.R. 1785 is a very simple bill. It extends, through December 31, 1996, the existing statutorily-mandated customs treatment of bicycle parts located in foreign trade zones. That treatment is that bicycle parts which are imported into a foreign trade zone or subzone are fully dutiable at the rate established under the Tariff Schedules of the United States.

Since this provision was first enacted in 1984, as Section 231(a) of P.L. 98-573, Congress has consistently extended the provision to the same extension date as Congress has granted for duty suspension of bicycle parts. Since Congressman McEwen has introduced legislation (H.R. 1571 and H.R. 1855) seeking to extend the duty suspension on bicycle parts through December 31, 1996, I am now seeking to extend the foreign trade zone provision, also through December 31, 1996.

I anticipate that this provision will be deemed non-controversial, as, indeed, it has been so deemed for the past two Congresses. It is my understanding that the bicycle manufacturers have no objection to H.R. 1785, and indeed have no objection to consolidation by this Subcommittee of H.R. 1785 with bicycle parts duty suspension.

The history of the foreign trade zone provision and duty suspension legislation is clear. Congress has carefully balanced the needs of the domestic bicycle industry, the component parts industry, and the national interest of the United States in dealing with our international trading partners. Congress has done this by setting the finished bicycle rate at roughly half the bicycle parts rate, and then suspending the duty on those parts (roughly 70% by dollar value of the imported parts of a typical bicycle), typically parts for which no U.S. manufacturer exists. The result is that only those parts which compete directly with domestically manufactured parts are dutiable. However, since the 98th Congress, Congress has also recognized that it would be inequitable to allow any one bicycle manufacturer to destroy this balance through use of the foreign trade zone device. That is, those bicycle parts which are not accorded duty suspended status and which are imported for manufacture or assembly into a finished bicycle for sale in this country should be fully dutiable, at their legislatively established rate.

In 1984, Congress passed P.L. 98-573, Section 231(a) of that bill (codified at 19 U.S.C. Section 81c(b)) created for the first time a legislative prohibition on use of a foreign trade zone or subzone to avoid the customs duty otherwise payable on bicycle parts (unless those parts are re-exported). This provision contained a "sunset" date of June 30, 1986, in order to match the sunset date for existing bicycle parts duty suspension legislation. In the 99th Congress, Congressman Rostenkowski joined with me in sponsoring H.R. 2350, which continued both bicycle parts duty suspension and the ftz provision until June 30, 1990. These dates were amended at the committee level to December 31, 1990, and the bill became Section 850 of H.R. 4800. Section 850 passed the House, without any other amendment, as part of H.R. 4800. For reasons unrelated to either of these provisions, the Senate never considered any tariff bills on the floor, and no tariff legislation was enacted.

In the 100th Congress, First Session, Congressman Gephardt reintroduced H.R. 4800 as passed by the House as H.R. 3. Bicycle parts duty suspension and the ftz provision were again extended through December 31, 1990, again as Section 850. H.R. 3 passed both Houses of Congress, but was vetoed by the President because of two controversial provisions: the plant closings provision and the Alaskan oil provision. In the Second Session of the 100th Congress, Congressman Rostenkowski introduced H.R. 4848. The bicycle parts duty suspension and ftz provisions (with sunset dates extended through December 31, 1992) were contained in Section 1783 of this bill. This bill was enacted and became P.L. 100-418.

As stated above, I anticipate that this bill will be deemed to be non-controversial. The bicycle manufacturers have no objections to the bill. It is sought by the Cycle Parts and Accessories Association, which is the trade association for the bicycle parts manufacturers and is the industry association to which my constituent, Wald Manufacturing Company of Maysville, Kentucky, belongs. Full dutiability of bicycle parts in foreign trade zones has been supported by the AFL-CIO and particularly the United Steelworkers of America (both of whom testified in favor of the provision in the 99th Congress, with the Steelworkers testifying again in favor of the provision in the 100th Congress). It is the Steelworkers' position, as set forth in their written statement before this Subcommittee dated February 27, 1987:

> While we support . . . duty suspension . . ., without the foreign trade zone exclusion it would be unfair because it would break the current tariff neutrality (favoring neither bicycle importers nor domestic manufacturers) and it would create an incentive for domestic bicycle manufacturers to exchange its high-skilled manufacturing jobs for lower-skilled and lower-paid assembly jobs. Therefore, duty suspension and the foreign trade zone exclusion are morally and logically interwoven.

I don't believe I can say it better. Congress has consistently and repeatedly determined this provision to be necessary in order to balance the competing interests of two valued domestic industries, the bicycle manufacturers and the bicycle parts manufacturers. Both industries are seeking help from this Subcommittee in their fight against an onslaught of foreign imports. The bicycle manufacturers do not oppose extension of the foreign trade zone provision. Similarly, the bicycle parts manufacturers do not oppose and indeed support duty suspension for the stated bicycle parts, so long as the foreign trade zone provision is also extended. The unions which represent the workers employed in these industries also support continuation of the foreign trade zone provision.

While the Administration has in the past opposed the foreign trade zone provision because they feel it is not the province of the legislative branch to intervene in what is an administrative process, I say this is an old argument which has been repeatedly rejected by this body. It is unthinkable that the Congress, the elected representatives of the citizens of the United States, may only stand by blindly while its carefully crafted legislative balancing of the competing interests of two domestic industries is destroyed through bureaucratic action. The Foreign Trade Zone Board assumes that the tariff schedules of the United States, by being inverted as to particular bicycle components parts and bicycles, is an inadvertent situation which should be "corrected" through the foreign trade zone device. This Subcommittee certainly knows better.

This legislation is narrowly drafted to cover only bicycle manufacturing or assembly operations within foreign trade zones or subzones. The legislation will not interfere with any other activities occurring in foreign trade zones or subzones. There presently are no bicycle manufacturers located in any foreign trade zone or subzone, nor are there any applications pending for foreign trade zone or subzone approval for any bicycle manufacturing operations.

I strongly urge the Subcommitte to expeditiously consider and approve H.R. 1785.

WRITTEN STATEMENT OF
WALD MANUFACTURING COMPANY, INC.
ON H.R. 1785, H.R. 1571 AND H.R. 1855

Wald Manufacturing Company, Inc. is a small business located in a rural community. Other than our war materials productions efforts during World War II, the manufacture of bicycle parts has been our sole and exclusive product line since 1905.

Our operations, equipment and plant facilities are modern. Because our only business is bicycle parts, our company survival and our employees' jobs are solely dependent on the survival of the domestic bicycle and bicycle parts industries.

Both our industry and that of our customers, the bicycle manufacturers, have seen significant market erosion from increased importation of parts and finished bicycles. Bicycle parts manufacturers such as this company have tried to recognize our customers' market needs by flexible delivery, competitive pricing, and by catering our production to their needs. We have also consistently supported the suspension of duties (which would otherwise be owed under the Tariff Schedules of the United States) on designated bicycle parts, typically, parts for which no U.S. manufacturer exists. Because of our customers' needs, we have supported duty suspension despite the additional barrier which it creates to our attempting to reclaim those parts from the import market through beginning to manufacture those parts again.

The bicycle manufacturers are seeking to extend through December 31, 1996, their existing duty suspension for bicycle parts and to add new designated bicycle parts to the duty suspension list. The legislation before this Subcommittee regarding such duty suspension is H.R. 1571 and H.R. 1855. Because duty suspension is to be extended, we believe that it is absolutely necessary that the provision previously enacted and re-enacted by Congress requiring full dutiability of bicycle parts imported into foreign trade zones for manufacturing or assembly of bicycles for distribution in U.S. commerce also be extended through December 31, 1996. If this foreign trade zone provision is extended, we have no objection and indeed support the bicycle parts duty suspension sought by the bicycle manufacturers. By enacting both H.R. 1785 as well as duty suspension legislation, Congress will continue to meet our customers' legitimate needs and yet balance our industry's own legitimate needs by lowering the duty on those designated parts, typically parts which are not manufactured domestically, but maintaining the duty on those parts which compete directly with domestically produced parts.

It is our understanding that the Bicycle Manufacturers Association has no objection to H.R. 1785 or to linkage by this Subcommittee of H.R. 1785 with bicycle parts duty suspension legislation.

By: Carlton P. Pawsat, President
Wald Manufacturing Company, Inc.
P.O. Box 10
Maysville, Kentucky 41056
(606) 564-4078

H.R. 1596

To provide for duty-free imports of certain polyester filament yarns produced in CBI beneficiary countries wholly from U.S. materials, and for other purposes.

CASS BALLENGER
10th District, North Carolina

218 Cannon House Office Building
Washington, DC 20515
202-225-2576

Committees:
EDUCATION AND LABOR
PUBLIC WORKS AND TRANSPORTATION

Congress of the United States
House of Representatives
Washington, DC 20515

District Offices:
P.O. Box 1830
261-10th Avenue Drive, NE
Hickory, NC 28603
704-327-6100

P.O. Box 976
418 South Street
Gastonia, NC 28053
704-864-9922

June 12, 1989

The Honorable Sam Gibbons
Chairman
Subcommittee On Trade
Committee on Ways and Means
1136 LHOB
Washington, North Carolina 20515

Dear Sam:

I have recently learned about a duty-suspension bill (H.R. 1596) introduced by Rep. Bill Frenzel (R-MN). I understand that this measure will be considered by the Subcommittee on Trade as early as Wednesday, June 14, 1989.

H.R. 1596 would eliminate tariffs on certain polyester yarns produced in the Caribbean. I would like to voice my strong opposition to this bill. A company, with operations in my district (Shelby, N.C.) produces these polyester yarns. Giving favorable treatment to Caribbean manufacturers of polyester yarns would have a negative impact on operations of this company.

In addition to Hoechst Celanese, I am aware of several other domestic producers of competing products including Guilford Mills, Avtex, Dupont, Unify, Work Technologies, BASF, and Collins and Aikman.

It is my understanding that duties are suspended only if there are no domestic producers. Clearly, the product in question does not meet this basic requirement.

I would appreciate your consideration of this matter. If you have any questions, do not hesitate to contact me or your staff contact Leslie Lawing at 5-2576.

Sincerely,

Cass

CASS BALLENGER
Member of Congress

CB:11

HERBERT H. BATEMAN
1ST DISTRICT, VIRGINIA

COMMITTEES:
ARMED SERVICES
MERCHANT MARINE AND FISHERIES

CO-CHAIRMAN, CONGRESSIONAL SPACE CAUCUS

1230 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-4601
(202) 225-4261

DISTRICT OFFICES:
739 THIMBLE SHOALS BLVD.
NEWPORT NEWS, VA 23606-2545
(804) 873-1132

BOX 1183
TAPPAHANNOCK, VA 22560-1183
(804) 443-4740

BOX 447
ACCOMAC, VA 23301-0447
(804) 787-7836

Congress of the United States
House of Representatives
Washington, DC 20515-4601

June 12, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
1136 Longworth House office Building
Washington, DC 20515

Dear Mr. Chairman:

It has come to my attention that the Subcommittee on Trade will soon mark up of a number of duty suspensions, including HR 1596, legislation to "provide for duty-free imports of certain polyester filament yarns produced in CBI beneficiary countries wholly from United States Materials." My constituents have expressed concern regarding this measure, and I am writing to convey their views and to urge you to examine the potential effects of this measure before continuing action.

My constituents inform me that HR 1596 will primarily benefit Olympic Fibers, a manufacturer of polyester filament yarns located in the Caribbean Basin area. Supporters of HR 1596 argue that Olympic is essentially the sole producer of this product, and that the company suffers from restricted market access which HR 1596 will alleviate. However, BASF Corporation, a textile manufacturer in my district, also produces polyester filament yarns as do other small producers. These companies argue that Olympic is already selling at capcity in the United States and that the lifting of tariff and quota limitations will merely permit Olympic to sell their product below its existing price which is already lower than current market levels. In addition, concerns about oversight and potential "country of origin" violations make this measure a controversial one to U.S. textile manufacturers.

Consequently, I believe HR 1596 warrants further study, and that it should not be marked up as part of a package of simple duty suspensions nearing action by the Committee. Though the International Trade Commission has not yet finished its report on the subject, I am informed that it will oppose HR 1596. Also, the USTR and the Bush Administration have expressed reservations which indicate they too will oppose the bill. Given this widespread response, I feel that it would be prudent and proper to delay action on HR 1596 until the ramifications of its passage can be properly addressed.

Sincerely yours,

Herbert H. Bateman
Member of Congress

HHB/jkb

W.G. (BILL) HEFNER
8TH DISTRICT, NORTH CAROLINA

2161 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-3715
FAX (202) 225-4036

COMMITTEES:
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON DEFENSE
CHAIRMAN: SUBCOMMITTEE ON MILITARY CONSTRUCTION

Congress of the United States
House of Representatives
Washington, DC 20515

DISTRICT OFFICES:
P.O. BOX 385
101 UNION STREET, SOUTH
CONCORD, NC 28025
(704) 933-1615 or 786-1612

P.O. BOX 4220
HOME SAVINGS AND LOAN BLDG.
507 WEST INNES STREET, SUITE 225
SALISBURY, NC 28144
(704) 636-0635

P.O. BOX 1003
230 EAST FRANKLIN STREET
ROCKINGHAM, NC 28379
(919) 997-2070

June 12, 1989

Honorable Dan Rostenkowski
Chairman
Committee On Ways and Means
1102 Longworth HOB
Washington, DC 20515

Dear Mr. Chairman:

It is my understanding that the Trade Subcommittee will meet tomorrow to mark-up a number of duty-suspension bills, and I wanted to alert you to the damaging impact one of them, HR 1596, will have on a firm in my district.

As you know HR 1596, introduced by Mr. Frenzel, would eliminate tariffs and prohibit future textile quotas on certain polyester filament yarns produced in Caribbean Basin beneficiary countries.

I am advised that the bill is intended to help a company in Costa Rica called Olympic Fiber, but the Committee should be aware that the products it covers are also produced here at home. In fact, the Costa Rican firm is a direct competitor of Hoechst Celanese which operates a plant in my district, as well as other domestic fiber producers and several textile mills located in the Carolinas.

Mr. Chairman, this legislation would be very harmful to domestic production of polyester, and I strongly urge my colleagues to reject it.

With kindest regards, I am

Sincerely yours,

Bill

BILL HEFNER
Member of Congress

BH/sl

cc: Hon. Sam Gibbons
Chairman, Subcommittee on Trade

Hon. Ed Jenkins
Subcommittee on Trade

STATEMENT BY OLYMPIC FIBERS, S.A.
IN SUPPORT OF H.R. 1596

H.R. 1596 would permit the duty-free entry of certain Costa Rican polyester filament yarns produced wholly from U.S.-origin materials by a 100% U.S.-owned company, Olympic Fibers, S.A. The bill would promote stability in a troubled region without harming domestic yarn manufacturers. Presently dutiable at 10%, imports of Costa Rican polyester filament yarn accounted for less than 1% of fast-growing domestic consumption in 1988. H.R. 1596 is carefully drawn to exclude unintended beneficiaries and does not affect any other provision of law.

Affected products. Olympic Fibers' polyester filament yarns are extruded from U.S.-produced polymer textile chips and are sold to U.S. manufacturers of fabrics for various end uses such as intimate apparel, fashion dresses, velours, clothing labels and certain home furnishings. In technical terms, most of Olympic Fibers' output consists of modified cross-section yarns of 90 denier and below. "Denier" is the industry term for fineness of material. Grades of denier used in the U.S. market range from below 55 to over 200; approximately 80% of U.S. consumption is of yarns above 90 denier. In general, the lower the denier, the more specialized the yarn.

Overall production by Olympic Fibers is quite small in comparison to U.S. producers. According to U.S. government statistics, 1988 imports of Costa Rican yarn were in the range of 6.5 million pounds, or less than 1% of the over 900 million pounds of polyester textile filament yarn produced annually in the U.S. See Exhibits A and B. This tiny presence in the U.S. market reflects the general nature of Olympic's business: supplying relatively small quantities of yarn for specialized uses.

Olympic Fibers concentrates on market niches that U.S. producers find uneconomical to fill. It produces specialty products, such as a low denier multifilament yarn not even made in the U.S., black extruded yarn for clothing labels, and a variety of bright modified cross section yarns. It also sells to specialized users, such as the fine gauge circular knitting industry with its unique knitting machines. Domestic producers are absent from these special markets because of the small sales volume involved. Plant design and production technique make it more efficient and profitable for them to produce in quantity, and they accordingly focus on markets which can absorb the large volumes of yarn that they are capable of producing. Olympic Fibers makes very few yarns which are also available from U.S. producers, in general only as an accommodation to existing customers. However, it lacks the economies of scale enjoyed by the domestic makers and thus can not compete in volume.

Impact on the U.S. market. H.R. 1596 will have little or no impact on domestic producers of polyester filament yarn for three reasons. First, the U.S. market for polyester filament yarn is booming, with no change expected soon. Domestic consumption has increased to well over 500,000 tons, and domestic producers can not meet demand. See Exhibits C, D and E. As a result, the domestic textile industry is suffering a supply shortage of polyester filament yarn that has been characterized as the "worst . . . for nearly 20 years," and as "bordering on total allocation," "with no prospect for substantial relief in the near future." See Exhibits D, E and F. Consumers are scrambling for polyester filament yarn, and some domestic producers are curtailing customers, sending them reduced shipments. The market is so tight that domestic producers imposed an across the board price hike of 7 cents per pound from

January 1, 1989, and are now implementing a second round of increases. Among the four major domestic producers of polyester filament, these increases will boost prices 6 to 20 percent. See Exhibits C, D and G. Under these market conditions, it is inconceivable that lifting the duty on less than 1% of total consumption will harm the domestic industry.

Second, even if the market were not so strong, the effect of lifting the duty would be negligible because Olympic Fibers' principal competition for the specialty markets comes not from American firms but from Japanese and German firms that export primarily specialty yarns to the U.S. Accordingly, any increase in Olympic's U.S. market share is likely to come at their expense. These foreign companies presently enjoy a technological edge which translates into a significant market advantage. For instance, German and Japanese yarn can be purchased with more twist than Costa Rican yarn, saving customers the expense of adding more twist themselves. It also is wound on larger bobbins and metered to within narrow weight tolerances, which results in reduced waste and machine set up time for customers. In addition to a technological edge, the German and Japanese producers enjoy an economic advantage over Olympic Fibers since their companies and countries produce the basic raw materials and supplies needed for manufacturing. In contrast, Olympic Fibers purchases its raw materials and supplies from the U.S., at a relative cost premium, because Costa Rica lacks the manufacturing base of industrially developed Japan and Germany. Eliminating the 10% duty on Costa Rican imports will help Olympic financially and thus allow it to improve its technological base. This improvement will enable the company to avoid technical obsolescence and to compete more favorably against the other foreign manufacturers selling in the U.S.

Third, to the extent that there is some competition between Costa Rican and American products, H.R. 1596 does not create an unfair advantage. As noted above, Olympic Fibers fills market niches left vacant by larger, more volume-oriented American producers. It does not command a price advantage that allows it to compete head to head against domestic manufacturers across a range of product categories. Since it buys polymer chips in the U.S., Olympic faces higher raw material costs than vertically integrated U.S. manufacturers. High freight costs to transport raw materials and supplies from and finished products back to the U.S. result in an additional cost disadvantage. The company does not enjoy the same economies of scale as the domestic producers, and local manufacturing inefficiencies also tend to push up production costs. Lifting the 10% duty will not generate a cost advantage, but will merely offset some of the additional expense of operating in the Caribbean.

Rated against other imports, Costa Rican polyester filament yarns clearly are not entering the U.S. at fire sale prices. In 1988, U.S. imports of Costa Rican polyester filament had a value of $1.56/lb., slightly above the average for all U.S. imports. See Exhibit A. The most recent data available, from March 1989, reports an average Costa Rican value of $1.61/lb., still right in line with the U.S. average and slightly above the West German value. The high reported values of yarn imported from Germany and Japan reflect the technological advantages mentioned above which allow these countries to produce more desirable (and higher priced) products. The value of German and Japanese imports translated into dollars also reflects the strength of their respective currencies, whereas Costa Rican currency is exclusively tied to the U.S. dollar.

Protection against unanticipated beneficiaries. The bill is narrowly drawn to avoid opening the door to other foreign manufacturers seeking to funnel their products into the U.S. duty-free. First, only polyester filament yarn that falls within the named tariff categories is exempted. Other yarns, such as textured polyester and high twist yarns, are not covered. Second, all raw material must come from the U.S. To receive duty-free treatment, vertically integrated foreign producers would have to give up the economies and reliability of their own domestic sources of supply in exchange for the unpredictability of an independent U.S. competitor shipping raw materials thousands of miles to the Caribbean. Freight costs for transporting raw materials and finished products to and from the U.S. largely offset duty-free advantages. These restrictions will discourage foreign companies from establishing new plants in the Caribbean region.

A foreign corporation interested in the U.S. market may obtain "duty-free" treatment by investing directly in the U.S., as some already have. For instance, Hoechst has purchased Celanese, BASF has purchased American Enka, and the Nanya Fibers Division of Formosa Plastics has announced plans to invest in the South. A 10% savings on duty will not draw large producers to the Caribbean in light of the capital outlay and associated higher operating costs. The presence of Olympic Fibers in the U.S. market, brought about by the collapse of the Central American Common Market, is fortuitous and unlikely to be repeated.

Administration. H.R. 1596 would not be difficult to administer. It applies only to not textured, low twist polyester filament yarn, a specific, easily identified product that now enters under two tariff categories. Almost all of the affected product comes from a single manufacturer in Costa Rica. Customs procedures already in place can be used to verify that the product is produced solely from U.S. raw materials.

Relation to other provisions of law. H.R. 1596 lifts the duty on Costa Rican polyester filament produced wholly from U.S.-origin raw materials by adding a new subheading to the Harmonized Tariff Schedule of the United States. The new subheading does not alter, enlarge or conflict with any other provision of law.

Conclusion. H.R. 1596 would permit duty-free entry of a fraction of 1% of the polyester filament yarn produced or consumed in the U.S. Domestic producers are having no trouble selling all the yarn they can produce, and unsatisfied demand has already resulted in two price increases this year. These market conditions are expected to continue several years. Since Olympic Fibers does not generally compete with U.S. producers, any increase in its market share is likely to come at the expense of its foreign competitors.

Located between Panama and Nicaragua, Costa Rica has been one of the U.S. Government's most important allies. Olympic Fibers employs 370 Costa Ricans, and makes a significant contribution to the Costa Rican economy. The company is reportedly the largest exporter of industrial goods to much needed hard currency markets. H.R. 1596 would help enhance that contribution, and advance U.S. foreign policy interests in the Caribbean region.

The comments were prepared by Patton, Boggs & Blow, which is registered under the Foreign Agents Registration Act as an agent for Olympic Fibers, S.A. A copy of these comments is on file with the Department of Justice where the required registration statement is available for public inspection.

U.S. Imports of Polyester Filament Yarn for 1988

The following table shows imports of polyester filament yarn classified at TSUS Item 310.0150 and Item 310.0250 for calendar year 1988 on the basis of CIF value.

Items	Country	Quantity (lbs.)	Value	Unit Value
310.0150 & 310.0250	W. Germany	6,542,993	$11,017,610	$1.68
	Costa Rica	6,428,197	10,003,978	1.56
	Mexico	2,708,131	2,870,713	1.06
	Japan	2,388,770	4,163,599	1.74
	Canada	2,254,499	1,999,085	.88
	United Kingdom	947,190	2,351,520	2.48
	Netherlands	118,280	229,821	1.94
	Israel	98,271	288,939	2.94
	Australia	52,925	33,862	.64
	Equador	30,013	39,767	1.32
	Italy	10,365	53,020	5.12
	France	10,234	64,949	6.35
	Switzerland	7,128	50,553	7.09
	Hong Kong	200	631	3.16
TOTAL		21,597,196	33,168,047	
Average Unit Value				$1.54

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REPORT IM145        U.S. GENERAL IMPORTS BY ALL METHODS OF TRANSPORTATION          SUBSCRIPTION NUMBER   0472          PAGE NO.      3
PERIOD  12 88       CURRENT MONTH AND CUMULATIVE, JANUARY TO DATE

                                          CURRENT MONTH                                    CUMMULATIVE, JANUARY TO DATE

COUNTRY CSC COUNT DISTR     QTY-1          QTY-2      CUSTOM VAL  C.I.F. VAL  COUNT     QTY-1             QTY-2       CUSTOM VAL    C.I.F. VAL

            9100150   POLYESTER YRN CONTINUOUS NOT TEXIRD SINGLES TWIST<20/IN<$1
                   LB
CANADA   OGN      ST ALBN             LB                                            39824 LB                       14034         14034
CANADA   OGN      OGDENSB      9520 LB                  6852        6852          1796794 LB                     1550392       1550392
CANADA   OGN      GIFALLS             LB                                           140183 LB                      118428        118428
CANADA   OGN      DETROIT             LB                                           114145 LB                       86973         86973
CANADA                         9520 LB                  6852        6852          2090946 LB                     1769827       1769827

MEXICO   OGN      LAREDO              LB                                           228074 LB                      215030        215030
MEXICO   OGN      DALLAS              LB                                             3186 LB                        1487          3033
MEXICO                                LB                                           231260 LB                      216517        218063

C RICA   OGN      MIAMI        8059 LB                  6856        8847          1190012 LB                     1094880       1358039
[illegible]                    8059 LB                  6856        8847          1190012 LB                     1094880   [illegible]

FR GERM OGN       NORFOLK             LB                                            31304 LB                       25942         31632
FR GERM OGN       WILM NC             LB                                             2747 LB                        2267          2334
FR GERM OGN       SAVANNH             LB                                           353707 LB                      347409        361983
FR GERM                               LB                                           387758 LB                      375618        395949

JAPAN    OGN      SAVANNH             LB                                            41667 LB                       37115         41375
JAPAN    OGN      TAMPA               LB                                            83334 LB                       74231         82751
JAPAN                                 LB                                           125001 LB                      111346        124126

AUSTRAL OGN       CHRLSTN             LB                                            52925 LB                       28466         33862
AUSTRAL                               LB                                            52925 LB                       28456         33862

9100150            3          17579                    13708       15699    153   4077902                        3596654   [illegible]
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REPORT IM145 U.S. GENERAL IMPORTS BY ALL METHODS OF TRANSPORTATION SUBSCRIPTION NUMBER 0472 PAGE NO. 8
PERIOD 12-88 CURRENT MONTH AND CUMULATIVE, JANUARY TO DATE

[redacted] POLYESTER YRN CONTINUOUS NOT TEXTRD SINGLES TWIST<20/IN>$1
LB

			CURRENT MONTH					CUMULATIVE, JANUARY TO DATE			
COUNTRY	CSC	COUNT DISTR	QTY-1	QTY-2	CUSTOM VAL	C.I.F. VAL	COUNT	QTY-1	QTY-2	CUSTOM VAL	C.I.F VAL
CANADA	OGN	ST ALBN	LB					12224 LB		34633	34633
CANADA	OGN	OGDENSB	LB					91548 LB		109194	109194
CANADA	OGN	SEATTLE	LB					44393 LB		62423	62465
CANADA	OGN	DETROIT	LB					15388 LB		22956	22966
CANADA			LB					163553 LB		229216	229258
MEXICO	OGN	NY CITY	LB					126 LB		514	600
MEXICO	OGN	LAREDO	201792 LB		227052	227052		2474360 LB		2647853	2647863
MEXICO	OGN	ST. LOU	LB					1985 LB		3347	4187
MEXICO			201792 LB		227052	227052		2476871 LB		2651724	2652650
C RICA	OGN	MIAMI	540259 LB		696745	847257		5238185 LB		6969453	8645939
C RICA			540259 LB		696745	847257		[redacted] LB		6969453	[redacted]
ECUADOR	OGN	NY CITY	30013 LB		36902	39767		30013 LB		35902	39767
ECUADOR			30013 LB		36902	39767		30013 LB		35902	39767
U KING	OGN	BOSTON	LB					52723 LB		464430	504849
U KING	OGN	BALT.	35219 LB		68256	70790		253836 LB		521648	541280
U KING	OGN	NORFOLK	180383 LB		348178	362571		627588 LB		1223809	1273426
U KING	OGN	CHRLSTN	LB					6431 LB		10510	10969
U KING	OGN	HOUSTON	LB					164 LB		841	905
U KING	OGN	WASH DC	LB					6763 LB		13075	19504
U KING	OGN	DALLAS	LB					85 LB		393	487
U KING			215602 LB		416434	433361		947190 LB		2234636	2351520

REPORT IM145 U.S. GENERAL IMPORTS BY ALL METHODS OF TRANSPORTATION SUBSCRIPTION NUMBER 0472 PAGE NO. 9
PERIOD 12-88 CURRENT MONTH AND CUMULATIVE, JANUARY TO DATE

COUNTRY	CSC	COUNT	DISTR	CURRENT MONTH QTY-1	 QTY-2	 CUSTOM VAL	 C.I.F. VAL	COUNT	CUMMULATIVE, JANUARY TO DATE QTY 1	 QTY-2	 CUSTOM VAL	 C.I.F. VAL
		3100250	POLYESTER YRN CONTINUOUS NOT TEXTRD SINGLES TWIST<20/IN>$1 LB									
NETHLDS	OGN		NY CITY	LB					39849 LB		97066	98806
NETHLDS	OGN		NORFOLK	LB					29903 LB		52316	54581
NETHLDS	OGN		SAVANNH	30 LB		311	330		30 LB		311	330
NETHLDS	OGN		CHICAGO	LB					48498 LB		72175	76104
NETHLDS				30 LB		311	330		118280 LB		221868	229821
FRANCE	OGN		NY CITY	LB					425 LB		860	950
FRANCE	OGN		NORFOLK	LB					7100 LB		36053	37469
FRANCE	OGN		WILM NC	LB					595 LB		2194	3643
FRANCE	OGN		LOS ANG	1276 LB		12392	12665		2114 LB		22190	22887
FRANCE				1276 LB		12392	12665		10234 LB		61297	64949
FR GERM	OGN		BOSTON	LB					23975 LB		26128	27402
FR GERM	OGN		BUFFALO	4118 LB		8152	8152		15491 LB		24364	24364
FR GERM	OGN		NY CITY	222668 LB		345910	357085		3223527 LB		5634716	5803529
FR GERM	OGN		PHILA.	LB					57 LB		903	984
FR GERM	OGN		NORFOLK	97601 LB		195130	200644		562483 LB		1035146	1077970
FR GERM	OGN		WILM NC	108 LB		1915	2006		747 LB		4333	4799
FR GERM	OGN		CHRLSTN	LB					195602 LB		289444	300924
FR GERM	OGN		SAVANNH	200676 LB		297304	307657		2100539 LB		3208771	3318730
FR GERM	OGN		CHICAGO	LB					26048 LB		38406	41185
FR GERM	OGN		HOUSTON	LB					70 LB		1181	1454
FR GERM	OGN		WASH DC	LB					6696 LB		10886	20320
[illegible]				525171 LB		848411	875544		[illegible] LB		10274278	[illegible]
SWITZLD	OGN		NORFOLK	LB					7128 LB		49653	50553
SWITZLD				LB					7128 LB		49653	50553
ITALY	OGN		BOSTON	LB					158 LB		1377	1532
ITALY	OGN		NY CITY	861 LB		6264	7149		3266 LB		24956	27348
ITALY	OGN		NORFOLK	4493 LB		18284	19031		4493 LB		18284	19031
ITALY	OGN		SAVANNH	825 LB		2076	2199		825 LB		2076	2199
ITALY	OGN		LOS ANG	LB					1623 LB		2502	2910
ITALY				6179 LB		26624	28379		10365 LB		49195	53020
ISRAEL	OGN		NY CITY	32590 LB		94837	99009		84935 LB		236133	246753
ISRAEL	FTA		NY CITY	LB					12376 LB		35302	38983
ISRAEL	FTA		WASH DC	LB					960 LB		2209	3203
ISRAEL				32590 LB		94837	99009		98271 LB		273644	288939
HG KONG	OGN		NY CITY	LB					200 LB		631	631
HG KONG				LB					200 LB		631	631
JAPAN	OGN		NY CITY	LB					77829 LB		180327	256464
JAPAN	OGN		NORFOLK	LB					13334 LB		25421	27548
JAPAN	OGN		WILM NC	LB					31 LB		437	587
JAPAN	OGN		CHRLSTN	844 LB		1964	2204		214141 LB		337012	364281
JAPAN	OGN		SAVANNH	254441 LB		399435	425536		1676044 LB		2593589	2797010
JAPAN	OGN		TAMPA	LB					83334 LB		115504	124168
JAPAN	OGN		LOS ANG	16766 LB		32359	34652		198809 LB		399335	473912
JAPAN	OGN		SAN FRN	LB					203 LB		901	1772
JAPAN	OGN		CLEVLND	LB					44 LB		3403	3731
JAPAN				272051 LB		433759	462452		[illegible] LB		3655928	[illegible]
[illegible]		96		1824963		2783466	3025836	1051	17519294		26708485	[illegible]

Goldman Sachs
Synthetic Fiber Monthly
March 20, 1989
Investment Research

Table 17

Estimated U.S. Noncellulosic Fiber Capacity by Company May 1986(a)-1990(b)
(million pounds)

	Nylon Filament			Polyester Filament		Staple				
	Ind.	Carpet	Textile	Ind.	Textile	Nylon	Acrylic	Polyester	Total	% of Total 1986
Allied	75	130	60	110	-	260	-	-	635	8.4%
Am. Cyanamid	-	-	-	-	-	-	112	-	112	1.5
Badische/Enka	-	200	60	-	40	170	80	-	550	7.3
DuPont	278	525	202	30	625	270	160	900	2990	39.7
Eastman Kodak	-	-	-	-	90	-	-	450	540	7.2
Fiber Industries(f)	-	-	-	-	75	-	-	425	500	6.6
Hoechst Celanese(g)	-	-	-	185	235	-	-	725	1145	15.2
Monsanto	80	75	40	-	-	322	230	-	747	9.9
Others	5	5	44	60	47	50	-	108	319	4.2
Totals 1986(a)	437	935	406	386	1112	1072	562 (c)	2608	7538 (c)	100.0%
1987(d)	418	1005	404	389	929	1137	652	2522	7466	
1988(e)	419	1029	413	403	948	1137	647	2563	7540	
1989(e)	420	1102	426	420	921	1142	642	2431	7704	
1990(e)	420	1153	436	426	850	1152	642	2431	7510	

(a)Excludes olefins and aramids. Per Textile Organon, May 1986.
(b)Textile Organon, December 1988.
(c)We believe this is understated approximately 30 million pounds.
(d)November capacity.
(e)May capacity.
(f)Formed through asset purchase from Hoechst Celanese in Feb. 1988.
(g)Adjusted for subsequent Celanese merger and selloffs to Fiber Industries.

Fibres Report
A Monthly Review of Synthetic Fibres Worldwide No 6 21 March 1989
Consultant Editors: Peter Driscoll, Simon Garmston
PCI - Worth Corner, Crawley, West Sussex RH10 4SL, England
Telephone: (0) 293 884024
Facsimile: (0) 293 885177

Polyester Fibres

Asia/Far East

Filament production in Korea for 1988 reached 412,200 tons compared with 328,100 tons the previous year - an increase of 26% based on strong fabric exports. This represented an operating rate of 97%. In Taiwan production levels were almost constant: 540,500 tons last year and 541,500 tons in 1987. While exports of flat yarn were steady at 67,000 tons however, domestic shipments suffered a drop of 6,000 tons, reflected in a rise in stocks by the same amount. Much of this spare material was represented by POY. Taiwan's weavers have lost export business in textured polyester cloths and in consequence local throwsters have in some cases lost as much as 40% of their local textured yarn business. This in turn has caused the fall in POY domestic sales. This market has continued to deteriorate and it is estimated that the normal domestic POY market of 20,000 tons per month now has 2-3,000 tons per month of spare material. (Some production problems at fibre-producers have tightened conditions still further in the short-term but the overall picture is unchanged).

Taiwan's filament producers are thus anxious to develop export markets particularly in the USA. This would help volume but also tighten prices. Producers would be dealing with an enormous market however and could probably satisfy only the smaller consumers - even if prices could be agreed. In Western Europe however contracts would be smaller and more easily handled. The anti-dumping duty of 17.4% would represent some obstacle but not an impossible one. (At 73 cents per pound FOB, POY of 150 denier resultant count would reach Europe at DM3.50 per kg. The anti-dumping duty would bring it up to DM4.10, just below the level, it is claimed, at which the European POY market is sitting at the present time.)

Typical FOB export prices for POY in the region are 175 US cents per kg for 75 denier resultant and 160 US cents per kg for 150 denier, in line with domestic prices which are just a little lower. Textured yarn prices however are still fairly weak: 150 denier DTY from Taiwan being 189 US cents per kg FOB (but 180-185 US cents for business to mainland China for example) while domestic levels are depressed at 176 US cents per kg. POY sales are far more attractive than textured ones at the present time.

Staple polyester conditions are at present considerably stronger than those for filament. In Korea polyester staple production last year, at 338,200 tons, rose 11% on the 1987 figure of 306,100 tons. In Taiwan it rose 7% from 525,000 tons to 561,200 tons in 1988. Taiwan's growth in polyester staple could have been a little stronger last year but for some shortage of raw material supplies. By the middle of this year however raw material availability should be sufficient to satisfy further expansion. (Expansion plans into the USA by one Taiwanese producer are going ahead according to schedule and should enable first production there by 1991.)

Taiwan is exporting nearly 12,000 tons per month of polyester staple to mainland China and this business will increase when new capacity becomes available. Sales to Russia are also being developed. Export prices are in the range 152-160 US cents per kg, the larger scale orders being below 155 cents but with some increase due in Q2. (In Q1 1988 staple prices averaged 107 cents per kg.)

Taiwan's domestic market for polyester staple is also very buoyant. This quarter started with prices at 163 cents per kg but this month they have reached 171 cents per kg. In part the present strength of the polyester staple market is related to the situation with cotton. This year's crop in mainland China is expected to be lower than last year's and spinners and weavers will find it easier to fill their machines and meet their production targets if they employ more polyester staple rather than cotton of uncertain quality and availability.

United States

Production figures for 1988 show increases of 4% for both polyester filament and staple, compared with 1987.

US Polyester Fibre (in '000 tons)

	1986	1987	1988
Filament			
Production	524	526	549
Domestic shipments	488	497	517
Export shipments	35	30	33
Imports	3	3	2
Stock change	-6	-1	-2
→ Domestic consumption	497	501	521

Polyester Fibre Prices

		Q2 1988	Q3 1988	Q4 1988	Mar 1989
Asia/Far East (C+F)					
*1.5 den fibre	US c/kg	120-155	155-165	155-165	165-171
	US c/lb	55-70	70-75	70-75	75-78
150 den POY	US c/kg	132-143	155-165	145-154	155-160
	US c/lb	60-65	70-75	66-70	71-73
150 den textured	US c/kg	165-174	180-189	172-183	180-190
	US c/lb	75-79	82-86	78-83	82-86
USA (Delivered)					
1.5 den fibre	US c/lb	68-75	73-75	73-75	80-82
150 den POY	US c/lb	67-76	72-76	72-76	79-84
150 den textured*	US c/lb	103-115	108-115	108-115	115-123
Cotton avg spot index**	US c/lb	68	51	55	57
Western Europe (Del.)					
1.7 dtex fibre	DM/kg	3.10-3.35	3.20-3.35	3.25-3.45	3.30-3.45
	US c/lb	75-81	77-84	86-91	80-84
167 dtex POY	DM/kg	3.10-3.40	3.70-4.00	3.90-4.30	4.10-4.40
	US c/lb	75-82	89-97	103-114	100-107
167 dtex textured*	DM/kg	3.50-4.00	4.30-4.70	4.80-5.20	5.45-5.70
	US c/lb	87-100	103-113	127-138	132-139
Cotton A-Index**	US c/lb	64	57	60	65

*Grade one, piece dyeable for circular knitting. ** Source: Cotton Outlook

Exchange Rate US$: Sterling 0.58 FF 6.34 DM 1.87 Lira 1373 Yen 131 NT$ 27.5 Won 673

US Polyester Fibre (in '000 tons)

Staple			
Production	952	1054	1095
Domestic shipments	892	983	1032
Export shipments	56	75	61
Imports	18	32	33
Stock change	+6	-3	+2
Domestic consumption	904	1018	1063

Although both the filament and staple polyester markets have experienced some weak spots in the last 12 months, especially for standard apparel applications, demand has generally remained very firm with a tendency for volumes to increase. Adding to all this the announcements of capacity cuts by Eastman (staple) and Hoechst Celanese (filament), we have seen the market tighten considerably in recent months in favour of the supplier.

Price increases of 7 cents per pound were almost entirely successful in January and, in a somewhat staccato manner, further price increases have been announced for Q2 (F.I.I. leading the way in April, H.C.C. following in early May, with Du Pont joining in towards the end of May). Staple may move a further 6-8 cents per pound and filament, at least from one supplier, a very definite 10 cents per pound.

Meanwhile the large consumers are anxiously seeking alternative supplies from the Far East, particularly of 150 denier POY. The POY capacity reduction taking place this year at Hoechst Celanese amounts to some 4,500 tons per month being withdrawn from the market. Allowing for the growth expected by throwsters for textured yarns, this suggests the US texturing industry may be short of more than 5,000 tons/month of POY in the course of 1989.

Taiwan's fibre producers at present can offer a maximum of 2,500 tons/month of POY but not until late in Q2. In such circumstances it may be no bad thing for the US throwster industry to accept an increase of 10 cents per pound for feedstock. This would bring 150 denier POY to 92 cents per pound, or 202 cents per kg, a not inconsiderable attraction to potential suppliers across the world.

Staple supplies are tight but not to the same extent. And meanwhile the cotton market is beginning to show more significant price increases than hitherto. The US spot market has barely moved, being at 57 cents per pound this week, but the New York futures market has, for October product, jumped 4 cents per pound this month to 62 cents per pound.

Western Europe

Cotton prices (according to the "Cotton Outlook" A-Index) have moved up 2 cents per pound to 65 cents per pound, in spite of considerable uncertainty in the polyester/cotton and cotton open-end spinning sector.

Polyester staple has certainly been making progress on price but not quite as rapidly as first thought. Short-staple spinning fibre at best is in the band DM3.30-3.45 per kg (80-84 cents per pound) but with some business a little higher. It may be possible to gain another 10-15 pfennig per kg (2-4 cents per pound) in Q2. Fibre for non-wovens is quite close in price at DM3.10 per kg (75 cents per pound) for Italian product and DM3.30-3.40 (80-83 cents per pound) for material from Northern Europe. In this market increases of 15-20 pfennig (4-5 cents per pound) may be possible during Q2.

The filament market may also be overstretched on price and easing back a little during Q1 to slightly more sustainable levels.

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SOARING FIBRES

The American textile industry is suffering the worst shortage of polyester fibre for nearly 20 years, and the producers offer no prospect of substantial relief in the near future. The mills, looking for increased shipments to stockpile against future shortages, instead face cutbacks on supplies of the most widely used manmade fibre – second only to cotton in clothing use – besides new rounds of price increases which will squeeze profit margins, push up prices of clothing and perhaps prompt consumer-resistance.

Fibre producers such as du Pont, Fiber Industries Inc. and Hoechst Celanese say that much of the present situation is due to capacity phase-outs in recent years, when the industry needed to cut back in face of the cotton boom. Over 400 million lb of capacity had been phased out over the last five to 10 years. They also blame soaring raw materials costs for the need to raise fibre prices.

Some mills however feel the rising prices to derive rather from simple greed on the part of the fibre producers, whom they accuse of working to drive up the price of their product. They predict "a wicked backlash" at some point.

Du Pont has raised prices of Dacron polyester staple and filament by 12 to 20 cents, effective with June shipments. The most recent du Pont price increases were in January, when prices moved up 8-10%. The current round means that prices of Dacron staple and tow and of 150 denier and heavier Dacron filaments for texturising will rise by 12%, of 100 denier and finer filament counts by 15-20% and of direct use polyester yarns by 12-15%. Dacron polyester fiberfill prices will rise by 10% from April 3. Moreover:

– Avtex Fibers has increased prices of all regular and high wet modulus rayon staple fibres 10 cents a lb, effective April 1.

– BASF Corp. has raised the price of rayon staple 10 cents a lb, effective April 3.

– Fiber Industries has raised prices of Fortrel polyester staple and filament by 6-12%, effective April 3, with staple prices moving up 8% and filament prices 12% on 150 denier, 34-filament round cross section, and 6% on all other filament products.

– Courtaulds Fibers raised the price of its rayon staple fibers by 10 cents a lb from April 2.

– Eastman Chemical Products raised its Kodel staple polyester by 8 cents a lb, effective May 27.

– Hoechst Celanese increased prices on its Trevira polyester, filament yarns and partially oriented yarn for apparel, home furnishings, nonwoven and high-loft end uses. The price of 150 denier polyester filament for knitting and weaving will be up 10-12%. Lower denier POY, speciality yarns and POY for warp and fully drawn yarns will be raised 8-15%, depending on type, denier and lustre.

– ICI Fibres raised the price of selected fine denier nylon textile filament yarns an average by 7%, effective April 3.

SUPPLY CRISIS IN POLY

By S. GRAY MAYCUMBER

NEW YORK — The textile industry is experiencing its most severe shortage of polyester fiber in nearly two decades and the major producers see little improvement during the next one to two years.

Mills and spinners are reporting curtailments, in some cases cutbacks, and in all cases, no opportunity to increase shipments of polyester.

Mills are scrambling to find fiber and some are accusing producers of insensitivity and, in some cases, worse things.

There appears to be no one main culprit for the polyester

See POLY, Page 13

DNR, WEDNESDAY, MARCH 1, 1989

Poly Crisis Could Get Worse

Continued from Page 1

shortages, but among the several reasons being given are:

- Greater usage by the carpet market;
- Increased demand from fleece producers;
- More blended fabrics at the expense of all-cotton;
- The rayon crunch has driven more mills into using polyester.

Despite first quarter price increases on polyester, there is a new wave of price hikes on the way for second quarter, and with the supply-and-demand situation, industry observers feel that these will stick. The result will be higher fabric prices, and mills grimly feel that it'll be a real struggle to pass these on.

Since polyester is the most widely used man-made apparel fiber, and second only to cotton in total apparel use, the effect could be serious, industry obervers feel.

An executive of one of the largest mills, who did not wish to be identified, told DNR, "It (the polyester supply) is as tight as I've seen it since the '70s."

"It is tight, very tight, and I think it will get worse," Steve Felker, chairman and CEO of Avondale Mills, said. "The supplier situation is touch and go. We have not lost anything, but we have had some anxious moments. I never would have believed this two years ago."

"There is quite a run on polyester. It's in very short supply. There's no question that there is a shortage," said Tom O'Gorman, president of Greenwood Mills Marketing Co.

In the opinion of Bob Pruyn, director of marketing at Du Pont, "It's an understatement to say there is a shortage." Du Pont has been running very tight on polyester for the last few months, "but it is much worse recently." Will it get better? DNR asked. "Not really," Pruyn said.

The situation is bad," Henry Malzbender, vice-president at Hoechst Celanese Fibers, said. "I hope it won't get worse. We are curtailing certain customers — shipping them less. People are scrambling for fiber, both filament and staple."

"The supply situation is very tough right now," said Tony Champ, president of Fiber Industries, Inc. He feels that much of this is the result of capacity phaseouts over the past years, when the industry realized that it had to get its capacity in line during the cotton boom. Over 400 million pounds of capacity have been phased out over the last five to 10 years. Now the cotton boom has ended and there is a supply crunch."

Several large weavers and spinners expressed concern over the supply situation but did not wish to speak for attribution, less they raise the ire of the fiber producers and find themselves in even shorter supply.

One major gray goods weaver said, "Fiber peole are very vague down the road, they are keeping the mills on tenderhooks. As a result, mills are reluctant to sell third quarter because of availability of fiber and prices."

He added, "You have to be cautious about what you sell. You used to just have to worry about prices, but now you have to worry about availability of fiber also."

Knitter Steve Gotdiener, president of Andrex Industriies, told DNR, "The polyester situation is as tough as it can be." He blamed the fiber producers for "creating their own shortages, to force prices up. This is going to have a wicked backlash at some point."

> **"It (the polyester situation) is tight, very tight, and I think it will get worse."**
>
> **—Steve Felker, Avondale Mills**

He continued, "With the shortages, people have no choice but to pay the prices. Something is going to give. I don't think the market can stand this. Retailers are already in trouble. This will force more sourcing from overseas, just when we're bringing the business back."

Major mills with substantial relationships with fiber suppliers, report that they are getting the fiber they need, if not all they want. Those who have been dealing with two or three suppliers or skipping between suppliers, seem to be in more trouble. Most major customers are getting more of an erratic shipment situation, they report.

Du Pont Raising Poly Prices

NEW YORK— Du Pont Co. has notified customers that it is raising priceas of Dacron polyester products effective with June 1 shipments.

The company is increasing the price of staple and tow products and filament of 150 denier (and up) for texturing, "by about 12 per cent."

Polyester filament of less than 150 denier and some selected specialty products will go up 15 to 20 percent.

Direct use yarns (fully and warp drawn yarns) will be increased 12 to 15 percent.

Bob Pruyn, director of marketing at Du Pont Fibers, discussing the June 1 effective date, told DNR, "Our concern is that we just had a price increase in January, and another one close by would be impossible for our customers to pass through. We hope that by giving them advance notice they can pass it through."

Pruyn added, "A major portion of the increase is driven by higher raw material costs. But also there is an attempt to improve margins. This is necessary because margins have been so small. To be [illegible] long-term producer, we have to in[illegible]

Last week, Fiber Industries, Inc., announced an increase in polyester products effective April 3. Staple was increased by 8 percent and 150 denier filament by 12 per cent. All other filament products were increased by 6 per cent.

—S.G.M.

"We Anticipate One Of Our Better Years"

Spinners say business is picking up, reasons are many.

By J. Karl Rudy

Activity in the market places has begun to show signs of revival. Virtually all those interviewed indicated that their markets had improved, and they expressed much more optimism for the rest of the year.

One acrylic spinner remarked, "We anticipate one of our better years for 1989. We are running full and beginning to take business in non-fleece areas."

A Turn In The Market

Another acrylic spinner had similar comments, but added, "We are getting a lot of action from weavers, which is unusual because our business with them is normally zero."

One of the cotton and poly-cotton spinners observed, "In the last week or two we have seen the market begin to turn. Plant running schedules are strong, with open-end back to seven days and ring-spun on six. Sweater and fleece business has picked up and weaving has held its own."

There are many reasons and many more opinions as to the cause for the turn-about. Talk to ten manufacturers and you will get at least eight different responses.

Customers of the spinners are indicating by way of their orders that inventories are being replaced.

This fits the media publicity back in December when it was observed that retailers were being quite conservative with inventories, prefering to run out of some items rather than end up with items in stock after the holidays.

Speculation has it that the second and third quarters will be much improved for all areas of manufacturing. Business is currently being written two to five months ahead – a big improvement over several months ago.

New Markets Go West

Spinners of acrylics feel that the improvement in their markets is due to several factors. The increased prices of other man-made fibers has made acrylics the fiber of choice simply because it is the better buy.

The fact that business is now being taken in markets recently dominated by polyester, poly/cotton or rayon (such as interlock, jersey and rib fabrics) substantiates this observation.

One acrylic spinner said, "I suspect that the market share formerly held by some of these fibers, notably rayon, will be permanently lost."

There is, of course, a continuing problem with availability of acrylic, polyester and rayon fiber. This will have a definitive bearing on yarn prices and availability in 1989 across the board.

One knitter commented that his company is looking to the West Coast as a new area to address for his company's products. The market in that region is interested in natural fibers. So, 100% cotton yarns, especially those with character, will be investigated.

Acrylic Council Inc.

One spinner noted the formation of a group of acrylic spinners into an organization known as the Acrylic Council Inc

Herbert Rabinowitz, executive director of the Council, said that it became an organization and was recognized as a legal entity in June 1988. The goal of the group is to increase the use of acrylics. Its purpose is to provide the vehicle by which manufacturers of fiber and yarns can educate the retail trades and the buying public to the advantage of using acrylics.

The three acrylic fiber producers are members along with spinners, who represent about 75 to 80% of the total acrylic production.

Market research has just been completed (a public relations firm was hired to do it), and the results of this research are to be put to work starting in April.

Contact with the council may be made by writing to 1251 Avenue of the Americas, New York, N.Y. 10020.

Spinning editor J. Karl Rudy has served as director of the Textile Institute of Greenville (S.C.) Technical College and as a manager for Dan River and J.P. Stevens companies.

[redacted]

Opportunities Abound in All Markets

By J. Karl Rudy

"Considering all factors, we are experiencing a good market. One-hundred percent combed cotton has stayed strong – so strong that we are turning down business," said one spinner as he talked about conditions in the marketplace for his products.

His comments were echoed by virtually every spinner interviewed this month.

The finer combed, ring-spun counts have continued the strength reported months ago, and they show no signs of weakening, although some spinners expect a seasonal slowdown in late April or early May. Demand is good for this type of yarn and, as the yarn quotations on the opposite page show, so is the price.

Even the open-end yarn market shows more life than it has in the recent past, according to one spinner. This is particularly true of polyester/cotton yarns. One spinner noted that this market has a good level of business now.

Ebb And Flow

He further observed that fleece business was at an ebb now, but the season was about to start, and this coupled with current business would lead to another spurt in the market.

Of course, another side effect near and dear to every manager is the potential for price strengthening under such conditions.

Another yarn manufacturer commented, "The next six months should be pretty normal. No boom. No curtailment."

The second half of the year is a subject to which most spinners will respond, "Who knows?" With interest rates increasing, yarn prices up and fiber price and availability changing, plus all the other variables, who indeed knows!

Prices Up — Again

By the time this report is published, prices for polyester and rayon will have increased. Acrylic prices will increase on March 1. Cotton prices, too, continue to run well above world prices. In addition to the increased fiber prices, wage increases are also in the offing (some have already been awarded). As a result, higher yarn prices are in effect. An increase of eight cents per pound on 100% polyester is an example of the magnitude of the change.

Another of the uncertainties in the market is fiber availability. Polyester and rayon continue to be in short supply and are bordering on total allocation.

Some operations are currently experiencing allocation of certain fibers. Acrylics are not on allocation, but it would be tough for a new customer to get sufficient quantities to deliver a large order.

Cotton is in good supply, according to several spinners.

What does all this mean to yarn producers?

One obvious result of the lower availability of yarn will be an improvement in prices, and most spinners see this as given.

Counting On Cotton

Another possibility is an increase in the percentage of cotton in the blends. Advantages here are two-pronged.

First, the natural fiber is more readily available. Second, fiber price is much lower.

For those who are using offshore apparel manufacture there is an additional incentive to increase cotton in the blend. Thre is a lower duty on goods having a higher cotton content. For this reason, there is a lot of activity in 60/40 cotton/polyester at the present time.

The announcement by Hoechst Celanese to concentrate less on partially oriented polyester yarn (POY) and more on polyester staple fiber (see Letters and News, this issue) was received with mixed feelings. Those who use POY were concerned about price and supply.

Spinning Editor J. Karl Rudy holds a degree in textile engineering from the Georgia Institute of Technology. He has served as director of the Textile Institute of Greenville (S.C.) Technical College and as a manager for Dan River and J.P. Stevens.

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Markets Mixed And Unpredictable

By J. Karl Rudy

"The tight fiber situation in polyester and rayon has forced acrylic to be the fiber of choice in several markets," was the comment of an acrylic spinner about the market conditions.

"Unfortunately, this has resulted in a fiber scarcity as well," the spinner went on to say.

There have been some changes in this market over the past few months. Two fiber producers have chosen to remove themselves from the marketplace. There have been yarn producers as well who have chosen to get out of the acrylic yarn field.

According to one spinner, strong business for acrylic yarns is anticipated into 1989 in spite of the announced price increase in fiber due to take effect in March. Another spinner is not quite so optimistic. But one thing is certain: fiber shortages across the broad spectrum of man-made fibers can result in strange reactions in the marketplace.

"Price increases have, of course, been announced before only to be postponed when time for implementation approached," another spinner observed.

An increase in yarn can also be expected, perhaps any day now.

One unanswered question remains — will the retailers accept an increase without question or seek other sources of supply?

Whatever happens, it will be interesting!

Expansions Everywhere

One poly/cotton spinner said, "We are very busy, running full and shipping well in all of our markets. Prices, however, are still depressed and we are not happy with the current profit picture. Profits for 1988 should be OK, but the first and second quarters of 1989 don't look so good."

There are still many inquiries in the market, but it seems that demand is finally about to catch supply, and the market situation should begin to level out.

The open-end market is especially depressed because so many companies have gone into expansion programs and the full impact of this has yet to be felt.

Several of the new expansion programs have not yet reached their ultimate production levels.

One spinner observed, "Everyone is in an expansion program." Most are in open-end production, but there are sizable numbers of sample air-jet installations which are intended to compete in the finer count ranges.

Interest in ring-spun yarns continues and will improve, provided prices can get more competitive. The new concepts in automated ring spinning should help producers attain this competitive edge.

Fiber Shortages Galore

Filament business is selling into the first quarter, but prices are nothing to write home about. Filament acetate is in such short supply that weavers cannot take business which exceeds their present yarn allocation.

The closing of the Avtex operation, albeit temporary, was very disruptive to the industry. Some weavers report that they "covered up looms" on styles running high-wet-modulus rayon.

Knitters, too, are influenced by the shortage of fiber which now has extended into all types of rayon, acetate and polyester. One knitter said, "We are a 'fiber A' polyester house but we can no longer get enough of the fiber to supply the demand of customers who specify that fiber."

Making Sales

Obviously, sales will have to be made on the basis of the customer's fiber preference. The rule of thumb is if there is no preferred fiber, quote on the type of fiber available. As can be readily seen, there are numerous processing problems when additional blends are entered into an operation, all of which increase the cost of production.

There are no spinners, weavers or knitters reporting long-term business. There is business "to be had" but virtually all of it is short-term at low prices.

The markets are mixed and unpredictable.

Have a Happy New Year!

[redacted]

Spinners In The Middle Of A Pricing Dilemma

By J. Karl Rudy

Virtually every spinner, weaver and knitter this month reported an improvement in his market, and it seems that the improvement is not related to any one group of styles or customers.

One spinner said, "From the point of view orders, the market is much improved. However from the point of pricing, the market continues to be poor. Prices are very competitive and many customers are playing it close to the vest."

It would seem that we are in a Catch 22 situation with respect to the competitive pricing now found in the market.

As yarn producers become more competitive in their pricing, the customer becomes more timid about placing orders.

Another spinner, commenting on the obvious overproduction of open-end yarns, said, "It's a dog-fight out there."

There is, of course, demand for all counts of open-end yarn (if you can meet the price). One yarn producer observed, "Open-end frames are producing large quantities of yarn and once a company commits to this equipment they have to keep it running in order to pay for it."

Cotton-Rich Blends Next?

There is an interesting phenomenon developing in the area of pricing. As anyone who deals in yarn sales knows, customers are pressuring for lower prices. At the same time, fiber producers, particularly those in rayon and polyester, are increasing prices – often.

Latest reports, however, indicate that the polyester increase slated for this fall has been postponed until January 1989.

At this writing, cotton prices (1987 crop) are some ten cents a pound over the world prices. Why? No one seems to know.

Shortages of raw materials, increasing worldwide demand for pulp in nontextile areas at better prices and reduction of productive capacity, are examples of the reasons for the increase in synthetic fiber prices.

Whatever the cause, it certainly makes for an interesting dilemma for the yarn spinner.

One thing that is almost certain, however, is the possibility that the future holds a distinct advantage for the natural fiber producer. As one spinner put it, "The shortages and/or increased prices of synthetic fibers could well stimulate an increasing number of cotton rich blends."

If this happens, the price of cotton could become high enough to make it a profitable crop for the farmer.

Shades Of World War II

The rayon fiber market is so tight that deliveries are now made on allocation. This has been the rule rather than the exception for many weeks with no end in sight.

Reports from various spinners indicate that the polyester fiber, while not on allocation now, is approaching that stage.

Apparently the situation is not unique to domestic markets since it is understood that similar shortages are now occurring internationally.

Business on ring-spun yarns, especially fine counts, remains good. Combed cotton demand is also good, and just recently the dyed yarn market took a turn for the better, according to spinners in that market area.

Open-end yarns, on the other hand, are in oversupply and destined to get worse. Several new open-end mills have been reported in operation as of mid-October – mills with an added capacity of two million pounds per week. The spinner will now have to find a market for this poundage – no easy task in today's market.

Need Help With Testing?

If you are a spinner and find that yarn or fiber testing is needed, call your nearest textile college. Most have the necessary equipment and will do testing of this type for a nominal fee. In the upstate of South Carolina, Clemson is the logical choice. Any textile school, however, would be delighted to help with your testing.

[redacted]

"Longest Strong Market... Since I Can't Remember When"

By J. Karl Rudy

What's new in the market this month? It depends on whom you've been talking to.

Those in the textured nylon market say, "It's been the longest sustained strong market without a real bad 'hit' since I can't remember when. And prices have remained consistent throughout—for months."

Acrylic spinners say, "Acrylic yarns are surprisingly good, especially for the weaving area, and good business is expected for the rest of the year."

Yarn manufacturers running high-performance, specialty yarns say, "Business is wonderful and we want more. Not only that, but the market demands more! In addition, business for the rest of the year looks quite promising."

Spinners of cotton and poly/cotton are not quite so optimistic, but they do say, "It looks like the market has picked up lately, but customers are still spot-buying and waiting for the bottom to drop out of the market in hopes of getting a better deal."

The fine-count, ring-spun, 100% combed-cotton market is still in great demand as it has been for months, but now the fine-count carded-cotton market is also tight.

Nylon Texturizers Busy

Fine-denier textured nylon for ladies' hosiery is in such strong demand that virtually all of the supply is going to the texturizer for that market.

Demand was so good that fiber prices were raised 2% on Sept. 5, and texturizers are expecting another major hike of 10-15 cents per pound around the first of the year.

As one texturizer said: "The demand is there and the European market has just discovered the advantages of Lycra covered with nylon. The end use is, of course, for ladies' hosiery and the demand is growing dramatically."

Unfortunately, domestic fiber producers cannot supply the local demand. The opportunity for exporting will, therefore, probably pass us by.

It is quite obvious that additional covering equipment will be needed to meet the demand. Fiber producers are currently installing equipment to meet the fine-filament fiber demand.

Texturizers will also have to install additional equipment. That machinery will be state-of-the-art, capable of co-mingling Lycra and nylon.

Even with the expected increase in raw material prices factored into the equation, the new equipment will result in savings to the knitter and the ultimate consumer.

The resultant yarn quality is not quite as good as with conventional covering equipment, according to texturizers, but the finished knitted product is first quality.

We can, therefore, expect producers to move in this direction.

Hot to Dismal

Weavers report a mixed market. Some areas, such as apparel and home furnishings, are doing well right now.

One current "hot" market is fabric that uses a regular rayon filling in a filament warp. Of course, this market could easily be a bomb tomorrow. Print goods, the bread and butter item of plain goods weavers, is, as one weaver put it, "dismal after the first of the year."

A "Tiger" Approach To The Yarn Market

A college professor commented that he had put the Yarn Market to an unusual use.

He requires certain students to be familiar with current prices of specific yarns. They are expected to inform the class, on demand by the professor, of the current price and other data he may request.

The other data could be the change in price since the last report, a comparative price six months or a year ago, and what contributed to the changes.

He added that this is his way of getting students to use the library. —Thanks to a reader for finding another practical use for this column.

[redacted]

It's A Mixed Bag

By Karl Rudy

The market continues to be a mixed bag in virtually all areas. Some markets are, as they put it in the trade, "flat," while others are running "flat out."

One spinner commented, "Shipments continue to look good on a week-to-week basis, but they do not indicate true business conditions." Customers are not willing to commit for long-term contracts and tend to buy short-term or spot orders in just enough quantity to fill their orders. This makes for difficulties in planning efficient manufacturing operations.

Variations in the cost of raw materials have been exceptional over the last few months, resulting in some hectic price changes for both the spinner and customer.

More Price Hikes

This has been especially true for man-made fibers, which have been spiraling upward dramatically.

Another price increase in rayon fibers, to the tune of 10%, has already been announced. The increase, by the way, will be for both regular and high-wet-modulus (HWM) fibers and will be the third increase this year.

This increase, according to a number of yarn manufacturers and buyers, is due to a combination of low supply of wood pulp by the paper industry and continuing demand for HWM fibers for the apparel fabrics now in vogue.

The HWM fiber gives a "mercerized cotton" look to fabrics without the need of additional finishing procedures for cotton goods.

One spinner commented that there has been curtailment of rayon fiber delivery to several manufacturers. This comment was echoed by a weaver who uses filament acetate.

Both rayon and acetate, of course, require the same raw material for production of the fiber.

Still Gun-Shy From The Miniskirt Fiasco

New fashions have not brought any clear direction to the market as many manufacturers had hoped.

Apparently, there are no bright new lines from either designers or buyers, and as a result the styling and colors are quite conservative this season. "People are gun-shy," was the way one yarn man put it. He went on to remark that "everyone is afraid to order because of the miniskirt fiasco of last fall."

A texturizer said, "There will not be a fall season for us this year."

Signs Of Revival

In spite of all the pessimistic comments about the general market conditions, there are many markets which are quite active.

Some have shown recent signs of revival. So much so, in fact, that one spinner was able to return to a full seven-day operation.

In this case, it was the revival of the sweater market combined with increased demand from weavers.

In both cases, the yarns are primarily coarser-count, plied and of 100% cotton.

Unsure, Not Pessimistic

Children's 100% polyester sleepwear continues to be a strong market. A fine-count yarn is required for these goods, of course.

Demand for knit jersey T-shirts continues unabated, as does interest in open-end yarns for underwear, work and sports hosiery, and gloves.

Fine-count, ring-spun yarns also continue to be needed by the industry, as do novelty and high-performance (cut, flame, ballistic-resistant) yarns.

Reaction to market conditions for the remainder of the year was mixed, with about half of the spinners anticipating improvement based on observations of their markets. The other half were unsure but not pessimistic.

TECNON
MONTHLY
NEWSLETTER
SYNTHETIC FIBRES

TECNON (UK) Ltd. 1-11 Hay Hill, Mayfair, London W1X 7LF, UK
Phone 01-493 2964 Telex 28521 Facsimile (Group 3) 01-629 1864
Contact: John Phipps

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3 POLYESTER FIBRE

Filament

3.1 USA

Business remains generally strong with the tight supply position prevailing and the 1 January price increase of 7 cents per pound 'across the board' having no adverse effect on demand. With Hoechst Celanese starting to reduce their 50 million pounds POY capacity at their Spartanburg (South Carolina) facility, other producers are struggling to meet the extra demand and the situation is unlikely to change with the phased reduction continuing at 25 per cent each quarter. Nan Ya will export around 20 million pounds of POY from Taiwan during the second half of this year to the US to meet the shortfall and supply extra texturing capacity now being installed. One particular growth area in POY is warp drawing for automotive and upholstery applications, with existing consumption 50 million pounds and likely to double within the next two years.

H.R. 1619

To amend the Agricultural Act of 1949 to limit the quantity of milk protein products that may be imported into the United States.

STATEMENT OF THE AMERICAN DAIRY PRODUCTS INSTITUTE

INTRODUCTION

The American Dairy Products Institute (ADPI), through its Washington Counsel, hereby responds to Press Release No. 10, issued on May 3, 1989, requesting written comments on miscellaneous tariff and trade bills, including H.R. 1619, introduced on March 23, 1989, by Representative Timothy P. Johnson of South Dakota. As the leading trade association of the nation's processed dairy products industry, ADPI strongly supports H.R. 1619, a bill that would hold imports of certain processed dairy products to stated levels.

PURPOSE OF H.R. 1619

H.R. 1619 sets a quantitative ceiling on imports of Whey Protein Concentrate, Lactalbumin and Milk Protein Concentrate. All three products are highly-nutritious dairy products that have been developed or enhanced through revolutionary advances in dairy technology, including ultrafiltration and membrane technology. These developments have enabled the processed dairy products industry to concentrate and utilize valuable components of traditional dairy products in a variety of functional and nutritious food ingredients from whey, the co-product of the cheese-making process, which, until only a decade or so ago, was a discarded product.

H.R. 1619 would prevent a substantial increase in imports of these products at a time when such an increase would severely hamper a segment of the domestic dairy industry that is just getting off the ground and holds great promise. Imposition of the restrictions at this time would cause very little displacement of international commerce. In 1988, the United States imported 2 million pounds of lactalbumin, 4 million pounds of whey protein concentrate and 8 million pounds of milk protein concentrate. As a point of comparison, in 1988, the United States imported 162 million pounds of casein and casein products.

H.R. 1619 does not affect imports of casein or casein products. Rather, it is intended to avoid the type of problems created by massive imports of products like casein by setting the levels of imports of whey protein concentrate, lactalbumin and milk protein concentrate before a dependency for cheap imports of these products develops in this country.

Congress has long grappled with the fiscal problems created by the dairy price support system. One solution to this problem is to increase the utilization of dairy products through the development of non-traditional dairy ingredients that have a broad variety of uses. The processed dairy products industry has made great strides in developing these nutritious and useful food ingredients. H.R. 1619 would prevent an onslaught of cheap imports from capitalizing on, and cancelling out, these substantial American developments.

CONCLUSION

ADPI urges the Subcommittee to give favorable consideration to H.R. 1619.

Respectfully submitted,

LEIGHTON AND REGNERY

Richard J. Leighton
Richard F. Mann
1667 K Street, Northwest
Washington, D.C. 20006

Washington Counsel to the
AMERICAN DAIRY PRODUCTS INSTITUTE

May 31, 1989

STATEMENT OF CONGRESSMAN TIM JOHNSON
BEFORE THE SUBCOMMITTEE ON TRADE
HOUSE WAYS AND MEANS COMMITTEE
REGARDING H.R. 1619

MAY 31, 1989

I represent South Dakota, one of the most rural states in the nation and one which is heavily dependent on agriculture, and because of this I serve on the House Agriculture Committee. I have an active interest in the workings of our domestic dairy program, and I am continually looking for ways to ensure that the family-sized dairy operations in my state and elsewhere will be able to continue operating. I introduced H.R. 1619, which would limit the amount of whey protein concentrate, milk protein concentrate and actalbumin that could be imported into the United States, because I am concerned about the fact that we could see a domestic market decimated by a flood of imports before it has barely been established.

H.R. 1619 would place a limitation on the amount of whey protein concentrate, milk protein concentrate and lactalbumin that could be mported into the United States, based on a percentage of the amount of these products that have been imported over the past several years. These products are newly-developed, high-tech dairy products that are imported in relatively small quantities at this point.

The process dairy industry has made revolutionary advances in ultra-filtration and membrane technology that, for the first time, make possible the isolation and reconstituting of the naturally-occurring nutrients in milk into a variety of forms that are useful as nutritious food ingredients. The result is new uses for milk at a time when our country has tremendous milk production capacity. By developing products that increase the demand side of the milk production equation, the industry is leading the way out of the milk support program quagmire that is such a concern to many of us in Congress and the agricultural sector.

We need to support this emerging technology by allowing these forward-thinking manufacturers to develop markets for their new products without the interference of inexpensive imports. Now is the time for this legislation, before foreign competitors can build that same market and engender a domestic dependence on their products.

I appreciate the opportunity to share my concerns with the subcommittee and hope that the members will give it favorable consideration.

H.R. 1639

To provide duty-free treatment for corned beef in airtight containers.

WRITTEN STATEMENT IN SUPPORT OF H.R. 1639 BY THE CANNED AND COOKED MEAT IMPORTERS' ASSOCIATION

Submitted to the
House of Representatives Ways & Means Committee

In response to the Committee's request for written comments in connection with miscellaneous tariff measures, the Canned and Cooked Meat Importers' Association ("CCMIA") submits this written comment concerning H.R. 1639, a bill to suspend the duty on canned corned beef, effective January 1, 1990.

CCMIA is a trade association of substantially all of the United States companies engaged in the direct importation of canned and cooked frozen meat from South America into the United States. In addition to importers, who are regular members of the Association, CCMIA is also composed of service members, such as warehousers, customs brokers, shipping lines and other carriers, freight forwarders and other companies which assist in the importation of beef from South America. The members of CCMIA import canned and cooked frozen beef from Brazil, Argentina and Uruguay. The Association was founded more than thirty-five years ago and is a District of Columbia nonprofit corporation.

CCMIA strongly supports H.R. 1639, a bill to suspend the customs duty on canned corned beef, HTS 1602.50.10 (formerly TSUSA Item Number 107.48). The product is a traditional export, primarily from Brazil and Argentina, and, to a lesser extent, Uruguay. The industry in South America was developed more than a hundred years ago by Mr. Libby, the founder of Libby, McNeill & Libby, Inc. The product is familiar to the American consumer in the retail 12 ounce trapezoidal can, which is opened by the customer with an attached metal key. In 1988, the U.S. imported 87 million pounds of canned corned beef valued at $78 million. Canned corned beef provides an economical source of meat protein, primarily eaten by lower income, blue collar customers and the elderly.

Canned corned beef enters the United States duty-free from Brazil, Argentina and Uruguay under GSP and, due to the President's determination January 1987 that no like or directly competitive product is produced in the United States, the so-called fifty percent competitive need limit does not apply to this product. Therefore the product will enter the United States duty-free from these countries for the life of the GSP program, absent any unforeseen changes in the status of those countries or the product under the GSP program.

CUSTOMS DUTY HISTORY

Prior to October 1, 1979 the duty on canned corned beef was 7-1/2% *ad valorem*. Pursuant to an agreement between the United States and Argentina involving leather, the duty was reduced in stages to 4.5% in 1978 and 3% thereafter. Because of most favored nation treatment, this tariff also applied to canned corned beef entering the United States from all other column one exporting countries, including Brazil and Uruguay. That agreement between Argentina and Brazil was terminated, effective October 30, 1982. Following a Section 301 action, the President continued the 3% duty on canned corned beef until October 30, 1983. Pursuant to Section 167 of the Omnibus Trade and Tariff Act of 1984 (originally Section 3 of H.R. 3398), the duty on canned corned beef was fixed at 3% until December 31, 1989, then it reverts to 7-1/2%.

REASONS FOR THE DUTY SUSPENSION

Canned corned beef currently enters the U.S. duty-free from Brazil, Argentina and Uruguay under GSP, and it can be expected to enter duty-free for the foreseeable future. The importers of this product are concerned about the impact of a reversion to a 7-1/2% ad valorem duty if GSP treatment is terminated for any reason, including non-renewal of the GSP program upon its expiration.

The principal reasons for a duty suspension are as follows:

1. Canned corned beef provides a low cost meat protein for low income, blue collar and elderly consumers. Since the duty savings which has been enjoyed under GSP has been passed in part to the customer, continued duty-free treatment through a duty suspension is an economical way for the federal government to provide adequate nutrition for its low income citizens who are the principal consumers of canned corned beef.
2. Since no like or directly competitive product is produced in the United States, no U.S. industry would be injured by a duty suspension.
3. If duty-free treatment under the GSP is terminated for either of the two major countries supplying the product, a 7-1/2% duty differential between the imports from the two major country suppliers would be too difficult for the market and importers to absorb.
4. The cost to the U.S. Treasury would be minimal. Due to GSP, no duty is currently being collected. Even if all the imports in 1988 were assessed a 7-1/2% duty, the amount collected would have been less than $6 million.
5. Our friendly neighbors to the South should be encouraged to export products, especially those which do not compete with our own. They therefore earn foreign exchange, available to be used to reduce the debt owed primarily to U.S. banks, which minimizes the likelihood of an expensive "bail-out" of U.S. banks by the United States Government. In addition duty suspension contributes to the development of Argentina's, Brazil's and Uruguay's economic development, thereby encouraging stability within those neighbors.

In summary, the CCMIA supports duty suspension on canned corned beef from South America.

Attachment A

Corned Beef Imports By Country. 1988
(Quantity and Customs Value)

Month	Argentina		$ Pct	Brazil		$ Pct	Other Countries		$ Pct	Total	
	Lbs	$ Val	Total	Lbs.	$ Val	Total	Lbs.	$ Val	Total	Lbs.	$ Val
Jan	2,167,651	$1,955,746	35.58%	3,475,760	$3,393,504	61.74%	120,705	$147,075	2.68%	5,764,116	$5,496,325
Feb	3,569,293	$3,076,357	62.86%	1,885,261	$1,668,243	34.09%	59,614	$149,728	3.06%	5,514,168	$4,894,328
Mar	3,360,350	$2,764,833	48.74%	3,230,999	$2,722,013	47.98%	161,958	$186,279	3.28%	6,753,307	$5,673,125
Apr	3,076,327	$2,536,977	39.13%	4,592,052	$3,781,517	58.32%	92,078	$165,088	2.55%	7,760,457	$6,483,582
May	2,658,043	$2,265,739	45.24%	3,084,789	$2,567,536	51.27%	180,742	$174,969	3.49%	5,923,574	$5,008,234
Jun	2,530,620	$2,221,802	27.54%	6,422,763	$5,625,938	69.73%	193,433	$219,911	2.73%	9,146,816	$8,067,649
Jul	3,596,295	$3,192,621	45.31%	4,056,225	$3,672,222	52.12%	160,178	$181,517	2.58%	7,812,698	$7,046,360
Aug	3,954,415	$3,538,464	38.72%	5,711,454	$5,230,085	57.24%	376,792	$369,105	4.04%	10,042,661	$9,137,654
Sep	3,662,568	$3,335,367	37.61%	5,586,437	$5,263,610	59.35%	207,752	$269,349	3.04%	9,456,757	$8,868,326
Oct	3,504,527	$3,145,783	44.80%	3,728,283	$3,455,007	49.21%	452,377	$420,334	5.99%	7,685,187	$7,021,124
Nov	2,167,430	$2,014,907	42.80%	2,592,092	$2,447,621	52.00%	161,624	$244,724	5.20%	4,921,146	$4,707,252
Dec	2,820,619	$2,705,467	46.94%	3,133,020	$2,977,095	51.65%	36,102	$81,192	1.41%	5,989,741	$5,763,754
Year	37,088,138	$32,754,063	41.90%	47,499,135	$42,804,389	54.76%	2,203,355	$2,609,261	3.34%	86,770,628	$78,167,713

Corned Beef Imports By Country - 2 lbs. & under

Month	Argentina		$ Pct	Brazil		$ Pct	Other Countries		$ Pct	Total	
	Lbs	$ Val	Total	Lbs.	$ Val	Total	Lbs.	$ Val	Total	Lbs.	$ Val
Jan	1,455,616	$1,310,202	28.90%	3,202,160	$3,167,404	69.88%	42,292	$56,131	1.24%	4,700,068	$4,533,737
Feb	1,890,941	$1,674,653	51.01%	1,682,005	$1,504,509	45.82%	41,080	$104,058	3.17%	3,614,026	$3,283,220
Mar	2,504,054	$2,057,553	43.70%	2,970,882	$2,510,124	53.31%	138,563	$140,759	2.99%	5,613,499	$4,708,436
Apr	2,212,324	$1,846,671	32.75%	4,434,032	$3,648,998	64.71%	75,878	$143,500	2.54%	6,722,234	$5,639,169
May	1,851,612	$1,624,451	38.69%	3,053,307	$2,539,536	60.48%	19,306	$34,883	0.83%	4,924,225	$4,198,870
Jun	1,773,671	$1,581,534	21.70%	6,377,763	$5,590,336	76.70%	102,576	$116,483	1.60%	8,254,010	$7,288,353
Jul	2,221,634	$2,051,848	35.40%	4,056,225	$3,672,222	63.36%	48,597	$71,590	1.24%	6,326,456	$5,795,660
Aug	2,517,602	$2,366,474	30.46%	5,580,054	$5,117,385	65.86%	302,142	$285,947	3.68%	8,399,798	$7,769,806
Sep	2,496,044	$2,351,744	31.26%	5,291,067	$4,998,624	66.44%	145,989	$173,068	2.30%	7,933,100	$7,523,436
Oct	2,266,731	$2,099,623	35.85%	3,625,723	$3,374,257	57.61%	415,485	$382,723	6.53%	6,307,939	$5,856,603
Nov	1,569,342	$1,498,111	37.60%	2,423,852	$2,309,646	57.97%	133,544	$176,642	4.43%	4,126,738	$3,984,399
Dec	1,884,798	$1,870,197	39.04%	2,996,260	$2,868,795	59.88%	19,362	$51,925	1.08%	4,900,420	$4,790,917
Year	24,644,369	$22,333,081	34.16%	45,693,320	$41,301,836	63.18%	1,484,824	$1,737,709	2.66%	71,822,513	$85,372,606

Corned Beef Imports By Country - over 2 lbs.

Month	Argentina		$ Pct	Brazil		$ Pct	Other Countries		$ Pct	Total	
	Lbs	$ Val	Total	Lbs.	$ Val	Total	Lbs.	$ Val	Total	Lbs.	$ Val
Jan	712,035	$645,544	67.06%	273,600	$226,100	23.49%	78,413	$90,944	9.45%	1,064,048	$962,588
Feb	1,678,352	$1,401,704	87.00%	203,256	$163,734	10.16%	18,534	$45,670	2.83%	1,900,142	$1,611,108
Mar	856,296	$707,280	73.32%	260,117	$211,889	21.96%	23,395	$45,520	4.72%	1,139,808	$964,689
Apr	864,003	$690,306	81.75%	158,020	$132,519	15.69%	16,200	$21,588	2.56%	1,038,223	$844,413
May	806,431	$641,288	79.23%	31,482	$28,000	3.46%	161,436	$140,076	17.31%	999,349	$809,364
Jun	756,949	$640,268	82.16%	45,000	$35,600	4.57%	90,857	$103,428	13.27%	892,806	$779,296
Jul	1,374,681	$1,140,773	91.21%	0	$0	0.00%	111,561	$109,927	8.79%	1,486,242	$1,25[illegible],700
Aug	1,436,813	$1,171,990	85.68%	131,400	$112,700	8.24%	74,650	$83,156	6.08%	1,642,863	$1,367,848
Sep	1,166,524	$963,623	73.14%	295,380	$264,986	19.70%	61,753	$96,281	7.16%	1,523,657	$1,344,890
Oct	1,237,796	$1,046,160	89.84%	102,560	$80,750	6.93%	36,892	$37,611	3.23%	1,377,248	$1,164,521
Nov	598,066	$516,796	71.49%	168,240	$137,975	19.09%	28,080	$68,082	9.42%	794,406	$722,853
Dec	935,821	$835,270	85.86%	136,760	$108,300	11.13%	16,740	$29,267	3.01%	1,089,321	$972,837
Year	12,423,769	$10,421,002	81.45%	1,805,815	$1,502,553	11.74%	718,531	$871,552	6.81%	14,948,115	$12,795,107

H.R. 1640

To correct the tariff rate inversion on certain iron and steel pipe and tube products.

AMERICAN IRON AND STEEL INSTITUTE

The American Iron and Steel Institute (AISI) on behalf of its domestic member companies submits the following comments on H.R. 1640. The purpose of this legislation is to correct a technical problem termed "duty rate inversion" on certain iron and steel pipe and tube products. This problem, explained below, has had a devastating impact on tubular goods producing companies, their employees and communities, and we believe that this legislation is vitally needed.

The inversion problem arose in the following circumstances. As a general rule, steel duty rates on higher value products are greater than on lower value products. For example, in the case of pipe and tube products, the duty rates are greater on alloy and stainless than on carbon grade products, and plain-end tubes carry lower duty rates than those that have been threaded and coupled. Duty rates as between sheet and plate and tubular products were differentiated on this basis in the past, with both sheet and plate products and tubular goods dutiable at a specific rate per pound, and sheet and plate products being dutiable at a lower rate than tubular goods. In 1960, however, the tariffs on sheet and plate products were changed to an ad valorem rate, while duties on tubular goods remained on a cents-per-pound basis until 1982. It was only in 1982 that the fixed duty rate per pound for tubulars was converted into an ad valorem rate. In the meantime, however, as a result of the inflation of the 1970's, what once had been a high rate of duty on tubulars on a per pound basis had been progressively reduced to ad valorem rates substantially lower than those for sheet and plate products, thus creating a duty rate inversion in respect to these products.

Because welded tubular goods are produced from sheet and plate products, this duty inversion has encouraged the importation of the higher valued tubular goods to the detriment of both tubular producers and the sheet and plate producers who supply their products as raw material to the tubular producers. Imports of pipe and tube products have grown from 26.1% in 1979 to nearly 44% of the U.S. market in 1988, prior to the President's Steel Program. This rate is more than twice the import penetration rate for all steel products.

We also believe that, because the inverted duty encourages importation of tubular goods, countries subject to the President's Steel Program have an incentive to utilize the flexibility provisions of their arrangements to increase exports of pipe and tube products. Among the Arrangement countries that have already used this flexibility to shift exports from sheet and plate into pipe and tube are Japan, Korea and European Community countries.

It is important to note that our major steel trading competitors, including the E.C., Japan, Korea, and Canada have import duties on tubular products which are equal to or higher than those for sheet products.

The AISI supports H.R. 1640 and urges that it be passed. In addition, we would also support any amendment which would increase the scope of this legislation to include specialty steel products.
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FREEMAN, WASSERMAN & SCHNEIDER
ATTORNEYS AND COUNSELLORS AT LAW
90 JOHN STREET
NEW YORK, NEW YORK 10038
(212) 619-1770
CABLE: TRADEJURIS NEW YORK
TELEX: WU 125802
WU EASYLINK 263807
TELECOPIER (212) 227-6734

MELVYN FREEMAN
JACK GUMPERT WASSERMAN*
LOUIS SCHNEIDER
BERNARD J. BABB
DAVID M. COHEN
RICHARD E. GRIMM
PHILIP Y. SIMONS
ILENE SUSSMAN

OF COUNSEL
DONALD W. LEWIS*
*ALSO ADMITTED IN D.C.

300 METROPOLITAN SQUARE
655 FIFTEENTH STREET, N.W.
WASHINGTON, D.C. 20005
TELEPHONE (202) 638-4068
TELECOPIER (202) 347-2348

RUE DU TACITURNE, 42
1040 BRUSSELS, BELGIUM
TELEPHONE 02-230-5058
TELEX (846) 61875

May 31, 1989

Before The Subcommittee On Trade,
Committee On Ways And Means,
U.S. House Of Representatives

COMMENTS OF AVESTA STAINLESS INC. IN OPPOSITION TO H.R. 1640

These comments oppose H.R. 1640, and specifically Section 3 of that bill. The bill would increase the rate of customs duty on welded steel pipes and tubes and, as a result, would provide unwarranted and unnecessary protection to a prospering U.S. industry.

These comments are submitted on behalf of Avesta Stainless Inc. ("Avesta"), of Fairfield, New Jersey. Avesta imports welded stainless steel pipes and tubes from Sweden, where they are manufactured by a related company, Avesta Sandvik Tube AB.

Section 3 of H.R. 1640 applies to welded stainless steel pipes and tubes classifiable in subheadings 7306.40.50 and 7306.40.10, Harmonized Tariff Schedule ("HTS") of the United States. It would increase the column 1 rate of duty these products to 10.1 percent. The current column 1 rates of duty are 5 percent for subheading 7306.40.50 and 7.6 percent for subheading 7306.40.10.

The U.S. producers of welded stainless steel pipes and tubes are economically healthy, and this conclusion is documented by highly reliable evidence. In 1987, the U.S. International Trade Commission determined that "the performance of the domestic welded pipe and tube industry has improved steadily [from 1984 through mid-1987] ...."[1] In reaching this conclusion, the Commission noted that the vast majority of U.S. producers "were profitable throughout the [period under] investigation."[2]

The performance of the U.S. industry has continued to improve since the International Trade Commission's investigation. According to data which five domestic producers recently submitted to the Office of the United States Trade Representative, the producers' domestic shipments increased by over 27 percent from 1987 to 1988.[3]

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[1] Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 2033, at 3 (November 1987); see also Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 1966, at 3 (April 1987) ("this performance has consistently improved throughout the period of this investigation [1983 to 1986].").

[2] USITC Pub. 2033, supra, at 16.

[3] Written Comments Submitted By Welded Stainless Steel Pipe And Tube-Producing Members Of The Specialty Tubing Group, Table 1 (USTR Docket No. 301-55 April 21, 1989) [hereinafter "Five Domestic Producers' Comments"].

The same figures also show that the producers' domestic shipments increased by over 40 percent in the two years from 1986 to 1988.[4] (As discussed below, however, the volume reported by those producers does not represent the entire U.S. industry).

Two reliable independent sources corroborate the high growth rate of domestic shipments reported by the five U.S. producers. First, the annual Current Industrial Reports by the Bureau of the Census includes U.S. shipments of welded stainless steel pipes and tubes, based on a survey of all known producers of steel mill products. Second, the American Iron and Steel Institute ("AISI") complies data on flat-rolled stainless steel products (plate, sheet and strip) which are used as the raw material for producing welded pipes and tubes. By adjusting the AISI data to reflect inventory replenishment and normal production waste, a reasonably accurate estimate U.S. shipments of welded stainless steel pipes and tubes can be made.

The following Table reflects the dramatic increases in shipments by the U.S. industry during the past five years, based on both the Census data and the AISI data converted from flat-rolled raw material:

U.S. Domestic Shipments Of
Welded Stainless Steel Pipes And Tubes,
1984 to 1988
(short tons)

Year	Census Data[5]	AISI Data[6]
1984	85,195	82,133
1985	87,692	88,311
1986	86,748	101,711
1987	97,166	126,387
1988	123,000(e)	169,806

The foregoing Table reflects that the total volume of domestic shipments is at least 123,000 short tons, but is probably closer to 170,000 short tons. In addition, domestic shipments increased by at least 26 percent from 1987 to 1988, and by at least 44 percent from 1984 to 1988 (based on Census data).

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[4] Id.

[5] Source: Bureau of the Census, U.S. Department of Commerce, Current Industrial Reports (MA33B) (1984-1987). Shipments in 1988 were estimated by linear regression. The estimated growth rate from 1987 to 1988 (26.6 percent) corresponds closely to the growth rate reported by five U.S. producers (27.9 percent, see supra note 3 and accompanying text).

[6] Source: American Iron and Steel Institute ("AISI"): AIS 16 (annual statistics on shipments of stainless steel products by market classifications). The AISI data for shipments of flat-rolled stainless steel products converted into welded stainless steel pipes and tubes are: 1984-88,220; 1985 - 94,856; 1986 - 109,249; 1987 - 135,754; 1988-182,391. It is estimated that normal production waste accounts for 2 percent of this quantity and inventory replenishment accounts for 5 percent. Thus, the pipe and tube shipments are estimated to be 93 percent of the raw material shipments.

The foregoing Table also calls into question the reliability of the volume of U.S. shipments which five U.S. producers submitted to the Office of the United States Trade Representative. These five producers reported domestic shipments -- based on a so-called "confidential survey" -- of only 87,746 short tons for 1988.[7] Nowhere does the five producers' statement claim that their survey includes all U.S. producers of welded stainless steel pipes and tubes, and it is possible that the survey is limited to the five producers which submitted the data.

In summary, U.S. domestic shipments of welded stainless steel pipes and tubes have increased significantly during the past five years. There is no evidence to suggest that the industry is adversely affected by import competition at the current rates of import duties. For this reason, there is no justification for giving this industry increased protection.

FREEMAN, WASSERMAN & SCHNEIDER
Attorneys for Avesta
Stainless Inc.

Of Counsel:
Philip Yale Simons
Patrick C. Reed

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[7] See Five Domestic Producers' Written Comments, supra note 3, at Table 1.

STATEMENT BY
ROGER B. SCHAGRIN

EXECUTIVE DIRECTOR AND GENERAL COUNSEL
THE COMMITTEE ON PIPE AND TUBE IMPORTS

ON H.R. 1640

The Committee on Pipe and Tube Imports (CPTI) would like to express its full and unqualified support for H.R. 1640, a bill to correct the tariff inversion on certain carbon and specialty steel pipe and tube products. This legislation was introduced by Congressman Marty Russo on March 23, 1989. Senator John Heinz submitted a similar bill, S. 296 in the Senate on January 31, 1989.

The CPTI is a trade association of domestic steel pipe and tube producers. Our organization is primarily concerned with the serious import problems troubling our industry. The inverted tariff is of major concern to our organization because of the advantage it provides our foreign competition and the other negative implications it has for trade in our product area. Import penetration of pipe and tube products is so much higher than imports of all steel products in large part because of this inversion.

H.R. 1640 concerns a fundamental principle of equity. It would correct a mistake in the Harmonized Tariff Schedules of the United States (HTSUS) and would serve to level the playing field so that the U.S. pipe and tube industry can compete on a fair basis. As a general rule, the HTSUS applies higher tariffs on higher valued products. In other words, as value is added to a manufactured product, the tariff rate increases. This is not the way, however, that steel pipes and tubes are treated in the HTSUS. The raw materials used in the production of steel pipes and tubes, sheet and plate, carry tariffs that are significantly higher than the tariffs on pipes and tubes.

I would like to outline for the Committee how the inverted tariff came into existence. From 1930 to 1959, plate and sheet products were designated as paragraphs 307 and 308 of the Tariff Act and described by their thickness. In 1960, the U.S. began converting to the TSUS system in which plate and sheet were classified according to their manufacturing processes, i.e., hot-rolled, cold-rolled or galvanized.

The tariff inversion occurred as an accident of inflation after 1960 when the method of describing plate and sheet was revised and duties were changed from a specific rate to an ad valorem rate. For example, in 1952 the duty rate for sheet was .175¢/lb compared to the higher duty of .375¢/lb for pipe 3/8 inch or more in diameter. In 1960, the tariff for sheet was increased to 10% ad valorem while the duty for pipe remained at the 1958 specific rate of .30¢/lb. With steel selling for approximately $50 a ton in 1958, the duty on sheet was approximately $5 a ton compared to a $6 a ton duty on pipe.

The tariff inversion occurred during the inflationary era of the 1970's. The specific rate duty for pipe products could not keep up with the tariffs on sheet and plate which were based on the increasing value of the steel. By 1975, steel prices had more than quadrupled, and the duties on steel sheet and plate were more than $20 a ton compared to the constant $6 a ton on pipe. In 1982, pipe and tube duties were changed to an ad valorem rate of .5% and 1.9% for most tubular products. In the same year, plate and sheet duties ranged from 7.1% to 8.4%.

A tariff inversion of the sort present on steel tubular products has negative implications for U.S. manufacturing industries. It is an anomaly under national and international tariff structures and encourages the retention of the value added offshore. It is important to note that our major trading partners embrace the general rule that higher value-added products bear higher duties. More specifically, our trading partners apply lower tariffs to imported sheet steel than imported pipes and tubes. The European Community applies tariff rates of 3.8%-5.3% to imported steel sheet, while applying rates of 9%-10% to imported steel pipes and tubes. Korea applies rates of 10% to sheet, and 15% for pipes and tubes. Correcting the inversion will erase this inequity and permit U.S. pipe and tube producers to compete with foreign competitors on equal footing.

Foreign competition, particularly dumped and subsidized foreign product, has had a devastating effect on the steel pipe and tube industry. I would like to provide the Committee with an outline of the industry and the import problem.

The pipe and tube industry as a whole is comprised of integrated and non-integrated producers in nearly every state in the union with Illinois, Pennsylvania, Ohio, Michigan, California and Texas accounting for the bulk of production. The industry currently employs 25,000 workers and is a $4-5 billion industry. CPTI members have 67 facilities in 20 states employing 16,000 workers. A list of our member companies is attached for the Committee's information.

The pipe and tube segment of the domestic steel industry operates some of the most modern and efficient mills in the world. It has continually invested in its facilities to both lower the costs of production and advance its capability to produce more sophisticated products. CPTI companies produce the full range of carbon pipe and tube products including oil country tubular goods, standard and line pipe, mechanical, structural and pressure tubing.

Steel pipes and tubes are among the most important basic industrial materials of the 20th century. These products are an essential component in the infrastructure of America. They are a key element in the systems which bring us water, energy, and electricity. These products are vital components of military and civilian powerplants throughout the country, including tubing for nuclear reactors. Oil country tubular goods (OCTG) which are used to retrieve petroleum or natural gas from inland or offshore ocean deposits are critical to domestic energy independence. Pipe and tube products are also components of military vehicles, tanks, warships, and other sophisticated military equipment.

In the past decade, many pipe facilities have gone bankrupt or were shut down because of imports. As a result, imports have displaced about 15,000 workers in the pipe and tube industry. The effect of the tariff inversion has been to further transfer jobs in this industry from the U.S. to countries overseas. While imports accounted for approximately 20.2% of all steel products in 1988, pipe and tube imports took 44% of the U.S. market. In 1979, import penetration of all pipe and tube products amounted to 26.1%. By 1984, prior to the steel VRA program, imports of steel pipe and tube products had escalated dramatically to account for nearly 60% of the market.

CPTI companies are primarily consumers of basic steel mill products, such as steel sheet and plate. Our members purchase domestic and imported raw materials to produce pipes and tubes for a variety of end users. They must pay the higher duty for their imported raw materials resulting in a higher cost for their product compared to the cost of finished pipe that is imported at the lower duty. The inverted tariff depresses pipe and tube prices in comparison to sheet prices, squeezing profit margins and increasing losses for pipe and tube producers.

Competition in this industry is fierce, but our companies can and do compete with their foreign counterparts successfully in spite of the fact that foreign companies have utilized unfair trade practices to gain a foothold in our market. Our organization has actively pursued remedies for these unfair trade practices under the antidumping and countervailing duty laws. Numerous successful petitions with significant dumping and subsidy findings were withdrawn pursuant to the President's VRA program, but if these findings were still in effect, many countries would be unable to sell in our market due to the magnitude of the unfair trade discovered through these cases.

Previously, USTR objected to this legislation citing that pipe and tube duties are bound by the GATT and according to USTR, would require the U.S. to compensate its trading partners in the amount of $2 billion. According to Census statistics, the value of all imported pipe and tube products was $2 billion in 1988. It would be impossible for the duty increase to be as much as the value of all imports. If all countries requested compensation for this duty correction, our calculations reveal that the total compensation figure would be approximately $26.8 million based on 1988 import levels. A chart is attached explaining how we arrived at this compensation figure. No compensation would be owed to Canada, which would not be affected by this legislation due to the Free Trade Agreement. I would like to emphasize that contrary to popular belief, the GATT does not preclude raising duties. Rather, the GATT recognizes that in certain instances it may be necessary for countries to increase duties and it contains procedures to accomplish that goal.

Finally, I would like to add a comment on USTR's views on resolving this tariff inversion problem. In a July 11, 1988 letter to Representative Russo (copy attached), former Ambassador Clayton Yeutter promised to seek to correct this situation in the Uruguay Round multilateral trade negotiations. In addition, at a hearing on September 22, 1988 before the Ways and Means Subcommittee on Trade, former USTR General Counsel Judith Bello testified on this legislation. USTR opposed the bill because it would raise tariffs and suggested instead that the tariff inversion be addressed through negotiations during the Uruguay GATT Round. Their further assurance included support to place it as a high priority in the tariff negotiations. We would support such negotiations as long as USTR is not suggesting that tariffs be lowered on sheet and plate steel products to eliminate the inversion. Such a strategy would simply shift the harm from one segment of a fragile industry onto another segment of the same industry. Congress must ensure that in negotiations to eliminate this tariff inversion or in negotiations to compensate our trading partners, USTR will negotiate in such a way that will diffuse the burden over a broad range of products. H.R. 1640 provides USTR negotiating authority in the event that claims for compensation are made.

H.R. 1640 is not a plea for protection or special treatment. The legislation is designed to correct an inadvertent tariff inversion that has contributed to the declining fortunes of the domestic pipe and tube industry. H.R. 1640 provides an equitable solution to a serious trade problem without doing so at the expense of any other sector of the steel industry.

We further believe that legislative action taken to correct this problem would ensure greater economic opportunity, stability and growth for the entire U.S. steel industry. The basic steel industry, through the American Iron and Steel Institute, and the United Steelworkers Union also support this legislation on the grounds of its fundamental fairness and necessity. H.R. 1640 provides for an equitable and effective administration of the tariffs on pipe and tube products consistent with the general policies behind the tariff schedule, and the CPTI respectfully requests that the Ways and Means Subcommittee on Trade act favorably on Representative Russo's bill.

THE COMMITTEE ON PIPE AND TUBE IMPORTS
LIST OF MEMBER COMPANIES

Allied Tube & Conduit Corporation
16100 S. Lathrop
Harvey, IL 60426

Allied Tube & Conduit Corporation
11350 Norcom Road
Philadelphia, PA 19154

Allied Tube & Conduit Corporation
11539 N. Houston Rosslyn Road
Houston, TX 77088

American Tube Co., Inc.
P.O. Box 6633
Phoenix, AZ 85005

American Tube Co., Inc.
Kokomo Works
101 East Broadway
Kokomo, IN 46901

Bitrek Corporaton
P.O. Box 510
Waynesboro, PA

Bull Moose Tube Co.
P.O. Box 214
Gerald, MO 63067

Bull Moose Tube Co.
1819 Clarkson Road, Suite 100
St. Louis, MO 63017

Bull Moose Tube Co.
P.O. Box 219
Trenton, GA 30752

Bull Moose Tube Co.
P.O. Box 56
Chicago Heights, IL 60411

Century Tube Corporation
P.O. Box 7612
Pinebluff, AR 71611

Copperweld Tubing Group
Four Gateway Center
Suite 2200
Pittsburgh, PA 15222

Ohio Steel Tube Co.
(Division of Copperweld)
175 Mansfield
Shelby, OH 44875

Regal Tube
(Division of Copperweld)
7401 S. Linder
Chicago, IL 60638

Miami Industries
(Division of Cyclops)
P.O. Box 912
Piqua, OH 45356

Sawhill Tubular
(Division of Cyclops)
P.O. Box 11
Sharon, PA 16146

Sawhill Tubular
(Division of Cyclops)
901 Dritz Road
Warren, OH 44483

Tex-Tube
(Division of Cyclops)
P.O. Box 7705
Houston, TX 77007

Hannibal Industries
3851 Santa Fe Avenue
Los Angeles, CA 90058

Harris Tube Company
8720 So. San Pedro Street
Los Angeles, CA 90003-3599

Ipsco Steel, Inc.
P.O. Box 1198
Brookshire, TX 77423

Ipsco Steel, Inc.
R.R. #2 - Box 30A
Geneva, NB 68361

Laclede Steel Company
10 Broadway
St. Louis, MO 63102

Laclede Steel Company
P.O. Box 2576
Alton, IL 62002-9011

Laclede Steel Company - Benwood
Benwood Industrial Court
8th & McMechen Street
P.O. Box 10
Benwood, WV 26031

LTV Tubular Products Company
1290 Poland Avenue
Youngstown, OH 44501

LTV Tubular Products Company
Off State Highway 57
Counce, TN 38326

LTV Tubular Products Company
525 15th Street
Elyria, OH 44035

LTV Tubular Products Company
965 Wanda Avenue
Ferndale, MI 48220

Cleveland Steel and Tubes
(Division of LTV Tubular)
12610 Kirby Avenue
Cleveland, OH 44108

Georgia Tubing
(Division of LTV Tubular)
Highway 363
Cedar Springs, GA 31732

Maruichi American Corporation
11529 S. Greenstone Avenue
Santa Fe Springs, CA 90670

Maverick Tube Corporation
P.O. Box 4128
Chesterfield, MO 63006

Maverick Tube Corporation
P.O. Box 696
Union, MO 63084

Pioneer Steel & Tube Dist. Inc.
9520 East 104th Avenue
Henderson, CO 80640

General Tube
(Division of Pittsburgh Tube)
P.O. Box 27036
Chicago, IL 60627

Monroe Tube
(Division of Pittsburgh Tube)
Route 208
Monroe, NY 10950

Pittsburgh Tube Co.
P.O. Box 1
Jane Lew, WV 26378

Pittsburgh Tube Co.
P.O. Box 326
Darlington, PA 16115

Pittsburgh Tube Co.
2060 Pennsylvania Avenue
Monaca, PA 15061

Pittsburgh International
P.O. Box 9 - Route 24
West Fairbury, IL 61739

Tec-Fab
(Division of Pittsburgh Tube)
1480 N.W. 11th Street
Richmond, IN 47374

Bellville Tube Division
(Division of Quanex Corp.)
P.O. Box 220
Bellville, TX 77418

Gulf States Tube
(Division of Quanex Corp.)
P.O. Box 952
Rosenberg, TX 77471

Michigan Seamless Tube
(Division of Quanex Corp.)
400 McMann Street
South Lyon, MI 48178

Quanex Corporation
17177 N. Laurel Park Drive
Suite 307
Livonia, MI 48152

Quanex Corporation
(Heat Treating Division)
25 Commercial Road
Huntington, IN 46750

Searing Industries
2730 E. 37th Street
Vernon, CA 90058

Sharon Tube Company
134 Mill Street
Sharon, PA 16146

Southwestern Pipe, Inc.
P.O. Box 2002
Houston, TX 77252

P&H Tube
(Division of Southwestern Pipe)
P.O. Box 5217
Bossier City, LA 71010

UNR-Leavitt
1717 W. 115th Street
Chicago, IL 60643

UNR-Leavitt
4923 Columbia Avenue
Hammond, IN 46320

UNR-Leavitt
13901 S. Western Avenue
Blue Island, IL 60460

UNR-Leavitt
211 Industrial Drive North
P.O. Box 699
Gluckstadt, MS 39110

Welded Tube Company of America
1885 E. 122nd Street
Chicago, IL 60633

Western Tube & Conduit Corporation
2001 East Dominguez Street
P.O. Box 2720
Long Beach, CA 90801-2720

Omega Tube & Conduit
(Division of Western Tube)
8523 Frazier Pike
Little Rock, AR 77206

Wheatland Tube Corporation
900 Hadden Avenue
Collingswood, NJ 08108

Wheatland Tube Corporation
Council and Railroad Avenues
Wheatland, PA 16161

Maneely-Illinois, Inc.
(Division of Wheatland Tube)
4435 S. Western Blvd.
Chicago, IL 60609

Sedco Products of Florida, Inc.
(Division of Wheatland Tube)
Stadium Road & Bennett St.
Auburndale, FL 33823

Seminole Tubular Products Co.
(Division of Wheatland Tube)
5000 Northwest 37th Avenue
Miami, FL 33142

Seminole Tubular Products Co.
(Division of Wheatland Tube)
9208 Jeffrey Drive
Cambridge, OH 43725

Seminole Tubular Products Co.
(Division of Wheatland Tube)
5601 Canal Street
Houston, TX 77060

WELDED CARBON STEEL PIPES AND TUBE: VALUE OF IMPORTS, CALCULATION OF CURRENT DUTY, CALCULATION OF DUTY AT THE TARIFF RATE ON CARBON STEEL SHEET, AND CALCULATION OF THE DIFFERENCE, BY TSUSA CLASSIFICATION, FOR 1988 IMPORTS

(values in $1000s)

610 TSUS	Dollar Value	Calculated Duty at Current Tariff (1.9%) 1/	Calculated Duty at Rate of Tariff on Hot Rolled Carbon Steel Sheet (4.9%) 2/	Dollar Difference Between Duties
		Standard Pipe		
.3231	46,746	$ 888	$ 3,038 (6.5%)	$ 2,150
.3234	52,395	996	2,567	1,572
.3241	97,657	1,855	6,348 (6.5%)	4,492
.3242	5,326	101	261	160
.3243	129,498	2,460	6,345	3,885
.3254	68,724	1,306	3,367	2,062
Total	400,346	7,607	19,617	12,010
		Line Pipe		
.3208	23,727	$ 451	$ 1,163	$ 712
.3209	51,615	981	2,529	1,548
.3212	43,261	822	2,120	1,298
.3213	53,849	1,023	2,639	1,615
.3262	5,846	112	289	177
.3264	16,871	321	827	506
Total	195,217	3,700	9,566	5,857
		Mechanical Tubing		
.3000	35	$ 2 (4.5%)	$ 2	$ 0
.3100	119	3 (2.6%)	6	3
.3221	5,894	111	286	175
.3227	103	2	5	3
Total	6,103	118	299	181
		Structural Tubing		
.3945	2,066	$ 10 (0.5%)	$ 101	$ 91
.3955	36,990	$ 185 (0.5%)	1,813	1,628
Total	39,056	195	1,914	1,718
		Pressure Tubing		
.3205	8,518	$ 162	$ 417	$ 256
		Oil Country Tubular Goods		
.3216	127	$ 2	$ 6	$ 4
.3219	37,861	719	1,855	1,136
.3233	708	13	35	21
.3249	267	5	13	8
.3252	49,910	948	2,446	1,497
.3256	2,382	45	117	71
.3258	51,278	974	2,513	1,538
.3925	19,674	98 (0.5%)	964	866
.3935	38,845	194 (0.5%)	1,903	1,709
Total	201,052	3,001	9,852	6,851
		Conduit		
688.3000	3,854	$ 243 (6.3%)	$ 189	$ 54
		Total For All Products Above		
	854,146	15,034	41,853	26,819

1/ The current tariffs for TSUSA 610.3000, 610.3100, 610.3945, 610.3955, 610.3925, 610.3935 and 688.3000 are noted in parentheses. They are the only welded carbon steel pipe and tube products which have historically varied from the general carbon steel pipe and tube tariff level.

2/ The proposed tariffs for TSUSA 610.3231 and 610.3241 are noted in parentheses. They are higher than the general proposed tariff level for the other products because of the specializing effect of the galvanizing process.

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

July 11, 1988

The Honorable Martin A. Russo
U.S. House of Representatives
Washington, D.C. 20515

Dear Marty:

At a Ways and Means Trade Subcommittee markup on July 7, you expressed your continued concern about a particular steel product tariff inversion: that our tariff on sheet significantly exceeds our tariff on pipe, inequitably inducing third country producers to export to the U.S. the more finished product.

I am writing to assure you that we share your concern, and will seek to correct this situation in the ongoing Uruguay Round multilateral trade negotiations. We believe that this is the appropriate way to handle this problem rather than unilateral action, in breach of our international obligations, to raise the bound duty on pipe. In light of the importance of such a correction to our industry, we will make this a high priority in our Uruguay Round tariff negotiations.

We understand and share your concern, and will keep you advised of all significant developments in our negotiations in this regard.

Sincerely,

Alan F. Holmer Acting
for Clayton Yeutter

HOESCH

HOESCH AMERICA, INC.
TELEX: 54-9955 (WU)   261399 (RCA)
ONE RAVINIA DRIVE
PHONE (404) 399-5800
SUITE 1100
TELEFAX (404) 399-0721
ATLANTA, GEORGIA 30346
CABLE: HOESCH AM

May 31, 1989

Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Committee on Ways and Means
Room 1102, Longworth House Office Building
Washington, DC 20515

RE: H.R. 1640

Dear Chairman Gibbons:

Hoesch America, Inc., of Atlanta, Georgia, is pleased to submit these comments on H.R. 1640, which has been referred to the House Ways and Means Committee for consideration. H.R. 1640 would increase tariff rates on pipe and tube products of various types. For example, certain plain end oil country tubular goods ("OCTG") would increase in duty from .5 percent to 4.9 percent, which would eliminate the "inverted duty" relationship between carbon steel sheet, the raw material for welded oil country tubular goods, and the OCTG pipe themselves. This bill runs contrary to the trend of reducing tariffs by international agreement, which has prevailed for the last four decades.

Hoesch America, Inc. is a U.S. affiliate of Hoesch AG, a major steel producer headquartered in the Federal Republic of Germany. Among other things, Hoesch America imports OCTG from Hoesch Rohr for processing by Hoesch Tubular Products Company of Baytown, Texas. The importation of these products provides U.S. job opportunities in this important industry. Hoesch America opposes this legislation because it would increase costs and would not serve the interests of the United States.

Costs would increase for exporters of OCTG and other steel pipe and tube products to the United States if this bill were adopted. These costs would either be absorbed by the exporter, or passed on to the customers, or a combination of both. To the extent that the tariffs were absorbed, there would be no effect on trade in pipe and tube products, and thus no benefit for the proponents of this bill. However, the U.S.'s trading partners no doubt would demand compensation for these tariff increases, which are contrary to multilateral tariff agreements under the GATT.

To the extent that cost increases are passed on, purchasers of pipe and tube products would be unfairly penalized. The oil industry, which buys a large portion of pipe products, such as OCTG, is ill-prepared for tariffs which could further increase oil exploration and production costs.

We urge the Ways and Means Committee to reject this anachronistic approach to steel trade. We appreciate the opportunity to comment on this important issue.

Very truly yours,

HOESCH AMERICA, INC.

Hans J. D
President

HJD:lc

COMMENTS SUBMITTED BY THE SPECIALTY TUBING GROUP

BEFORE THE SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS UNITED STATES HOUSE OF REPRESENTATIVES

May 26, 1989

The purpose of these comments is to express the support of the Specialty Tubing Group for legislation (H.R. 1640), introduced by Rep. Marty Russo and referred to the Subcommittee on Trade, House Ways and Means Committee, that would correct a tariff rate inversion that exists with respect to certain welded stainless steel pipe and tube.

The Specialty Tubing Group is a national coalition principally comprised of producers of welded stainless steel pipe and tube. These manufacturers are located throughout the United States and account for the majority of U.S. production of welded stainless steel pipe and tube. A list of these manufacturers is attached.

Under the current tariff schedules, tariff rates on imports of stainless steel pipe and tube are lower than the tariffs on stainless steel plate, sheet and strip -- products from which welded pipe and tube is produced. This tariff inversion provides an artificial incentive for foreign producers to convert flat-rolled products to tubing offshore and thus benefit from the lower tariffs in effect on pipe and tube. The result is that foreign producers pay a far lower tariff than they would be required to pay if they exported the sheet, strip and plate product directly into the United States.

The inverted tariff is inequitable and provides an unfair competitive advantage to foreign producers of stainless steel pipe and tube. The existence of the inverted tariff has contributed to the fact that foreign steel pipe and tube producers have gained a major share of the U.S. market. The consequences have been disastrous. In 1988, for example, import penetration for all stainless steel pipe and tube accounted for approximately 30% of U.S. consumption.

The problem of artificially-induced import penetration is exacerbated by natural economic incentives present in the stainless steel tubing industry. Stainless steel tubing, which is used in a wide variety of important applications including as a vital component in military aircraft and in military and civilian power plants, has a relatively high unit value. As such, it is a naturally attractive market for foreign producers. The combination of natural economic factors with the artificial incentive of a tariff inversion focuses particular attention on this segment of the steel industry.

Present tariff inversion not only has created an artificial incentive for imports, but also is inconsistent with the general treatment of finished commodities under the U.S. tariff schedules. In general, the tariff schedules are based on the principal that tariffs should increase as the degree of value-added on a commodity increases. Thus, for example, the present tariff schedules impose a higher tariff on the higher-value-added stainless steel sheet and strip than on the slabs and other semi-finished products used to produce sheet and strip. The tariff treatment of stainless steel pipe and tube, which are more higher value-added products than the stainless steel plate, sheet and strip from which they are manufactured, is an unwarranted departure from the normal operation of the tariff schedules. Indeed, virtually all of our principal trading partners, including Japan, South Korea, Canada and the European Community, have higher duty rates on pipe and tube products than on the flat-rolled products from which tubing is made.

The evidence of injury to the United States industry producing stainless steel pipe and tube as a result of imports is clear and compelling. During the period 1981 through 1987, all indicators of the industry's health turned sharply downward. One of the members of the Specialty Tubing Group, Trent Tube Division of Crucible Industries, closed three of its seven welded specialty tubing production facilities during that period. Another significant producer, Carpenter Technology Corporation, closed down its welded stainless steel pipe and tube operation completely in 1986 -- because of the onslaught of imports.

At least four domestic producers were forced to lay off significant numbers of workers during this period. One of the most massive layoffs occurred when Carpenter Technology Corporation was forced to close its stainless steel pipe and tube operations because of import competition. The fact that some of the leading and most technologically advanced U.S. companies have been forced from the market, or forced to severely curtail employment, is stark evidence of the disastrous results of encouraging imports artificially.

The VRAs on pipe and tube do not preclude raising tariffs. The agreements do not address tariffs but rather quantitative measures. In fact, the export levels set in those agreements were based on the traditional levels of trade in each product category for each signatory. However, the inverted tariff on pipe and tube products has provided an incentive to shift exports into those products under flexibility provisions of those agreements. Japan, Korea and the European Community have already used their flexibilities to shift exports from sheet into pipe and tube. H.R. 1640 removes the incentive to utilize flexibility provisions to ship pipe and tube at above the traditional levels set in the agreements.

The issue here is one of fundamental fairness. H.R. 1640 seeks to bring the tariff treatment of stainless steel pipe and tube into line with the general policy underlying our tariff system: tariffs should be relatively higher on higher value-added products. A correction of this inverted tariff will help stem the job losses in the stainless steel pipe and tube industry and encourage the efforts of the industry to reinvest and modernize for future years. The Specialty Tubing Group urges the Ways and Means Committee to adopt Representative Russo's initiative.

Respectfully submitted,

David A. Hartquist

DAVID A. HARTQUIST
NICHOLAS D. GIORDANO
COLLIER, SHANNON, RILL & SCOTT
Suite 300
1055 Thomas Jefferson Street, N.W.
Washington, D.C. 20007
(202) 342-8400

Counsel to the Specialty Tubing Group

May 26, 1989

THE SPECIALTY TUBING GROUP WELDED STAINLESS STEEL PIPE AND TUBE MEMBERS

Allegheny Ludlum Corp. - Tubular Products Division
Claremore, Oklahoma

ARMCO - Advanced Materials Corporation
Wildwood, Florida

Bristol Metals,Inc., a Subsidiary of Synalloy Corp.
Bristol, Tennessee

Damascus Tubular Products
Greenville, Pennsylvania

Felker Brothers Corp.
Marshfield, Wisconsin

LTV Steel Company
Cleveland, Ohio

Plymouth Tube Company
Warrenville, Illinois

Trent Tube Division of Crucible Material Corporation
East Troy, Wisconsin

Edgar L. Ball
International Secretary

Lynn R. Williams
International President

James N. McGeehan
International Treasurer

George F. Becker
International Vice President
(Administration)

United Steelworkers of America

Leon Lynch
International Vice President
(Human Affairs)

815 16TH ST., [illegible]N, D.C. 20006

Suite 706

Phone: (202) [illegible]

May 30, 1989

The Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth Building
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the United Steelworkers Union, I am writing in reference to your request for comments on H.R. 1640, a bill to correct the tariff inversion on carbon and stainless pipe tube products.

H.R. 1640 is designed to correct an inequity in the Harmonized Tariff Schedules of the United States by equalizing the duties on steel pipe and tube products with the duties charged for their raw materials, steel sheet and plate.

The current duty structure is contrary to national and international tariff policy. Tariff schedules are designed to encourage the importation of raw materials so that the work on finished goods takes place in the home market. That is the way the tariffs are for the vast majority of products, including steel. For instance, the duty on cold-rolled sheet is higher than the duty on hot-rolled sheet; galvanized sheet is more than cold-rolled; stainless is more than galvanized. That's the way it should be. Steelworkers as well as the rest of the trade unions support this concept because we are the people that add the value. Added value is another term for jobs.

We understand that all of our major trading partners, including Japan, Korea, Canada and the European Community have higher rates of duty on pipe and tube products than on

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sheet and plate. Their rates of duty are uniformly higher than the duty rate proposed in H.R. 1640.

The existing tariff inversion has encouraged foreign producers to transform sheet and plate into pipe and tube before shipment to the United States. While imported steel accounted for 20.2 percent of all steel in 1988, imported pipes and tubes took 43 percent of the U.S. market, more than double the level of all steel imports. In 1984, prior to the implementation of the Voluntary Restraint Agreements, imports represented nearly 60 percent of the U.S. market.

I have included a list of pipe and tube manufacturing facilities that have been closed down in this decade. During this time, more than 15,000 steelworkers lost their jobs in the U.S. pipe and tube industry. Amongst the major facilities that have been closed are LTV's Aliquippa and Youngstown facilities, U.S. Steel's Baytown and Gary works, Wheeling-Pittsburgh's Benwood, West Virginia facility, Bethleham's Sparrows Point, and Quanex's Atlantic Tube Division in Plainfield, New Jersey, to name a few. In many of these areas, the closure of these facilities decimated their communities. When the U.S. loses capacity to produce pipe and tube products, we also lose capacity to produce the sheet that supplied those pipe and tube manufacturers. Both market conditions and trade practices have contributed to these closures. However, we are concerned that such a sensitive market not be further aggravated by this fluke in the tariff code. The effect of the tariff inversion has been to further transfer jobs in the pipe and tube industry from the U.S. to other countries overseas.

The issue here is one of fundamental fairness. The United Steelworkers has been committed to increasing productivity and the competitveness of the steel industry. We've accepted wage reductions and changes in work rules to try to preserve jobs. But Congress must also do its part. We are not asking for unfair protection. We are asking that these tariffs be brought into line with accepted policy. American workers are being hamstrung by a mistaken and inequitable tariff policy. On behalf of the steelworkers still making pipe and tube products, I urge you to right this inequity by supporting this legislation. Thank you.

Sincerly,

John J. Sheehan
Legislative Director

JJS/ksc

CLOSING OF PIPE AND TUBE FACILITIES IN THE PAST TEN YEARS

Mill	Location
Alpha Tube	Los Angeles, CA
American Seamless Tube	Baltimore, MD
Armco	Houston, TX
Armco	Ambridge, PA
Atlantic Steel Co.	Tallapossa, GA
Atlantic Tube Div. of Quanex	Plainfield, NJ
Bellville Tube Div. of Quanex	Bellville, TX
Babcock & Wilcox	Beaver Falls, PA
Bethlehem Steel	Sparrows Point, MD
Central Steel Tube	Clinton, IA
Donovan Steel Tube	Toledo, OH
Hughes Steel Tube	Los Angeles, CA
Illinois Tube Co.	Chicago, IL
Kaiser Steel Corp.	Fontana, CA
LTV	Aliquippa, PA
LTV	Youngstown, OH
Gibralter Tube Div. of Merchant Metals	Houston, TX
National Pipe	Liberty, TX
Pittsburgh Tube*	Monaca, PA
Standard Tube of Detroit	Detroit, MI
Torrance Tubing & Conduit	Torrance, CA
United States Steel	Baytown, TX
United States Steel	Gary, IN
United States Steel*	Lorain, OH
Van Huffel	Warren, OH
Van Huffel	Oil City, PA
Wheeling-Pittsburgh	Benwood, WV
Wilco U.S., Inc.	Port Sanilac, MI
Youngstown Sheet & Tube	Indiana Harbor, IN
Youngstown Sheet & Tube	Youngstown, OH

*Indicates partial closing of mill, but facility still operatin at reduced level.

H.R. 1657

To suspend temporarily the duty on diphenolic acid.

No statements submitted.

H.R. 1680

To suspend temporarily the duty on fluorescent yellow FGPN

No statements submitted.

H.R. 1681

To suspend temporarily the duty on fluorescent yellow R.

No statements submitted.

H.R. 1683

To extend the temporary suspension of duty on certain parts of indirect process electrostatic copying machines.

FRANK HORTON
U.S. REPRESENTATIVE
29th District of New York

COMMITTEES:
GOVERNMENT OPERATIONS
RANKING MINORITY MEMBER
POST OFFICE AND
CIVIL SERVICE
CHAIRMAN, NEW YORK BIPARTISAN
CONGRESSIONAL DELEGATION

WASHINGTON OFFICE:
2108 Rayburn Building
Washington, DC 20515
(202) 225-4916

Ruby G. Moy
Administrative Assistant

Congreſs of the United States
House of Representatives
Washington, DC 20515

DISTRICT OFFICES:
314 Kenneth B. Keating Building
Rochester, NY 14614
(716) 454-7480
FTS-963-8270

(Summer only)
Wayne County Court House
26 Church Street
Lyons, NY 14489
(315) 946-6966

307 Metcalf Plaza
144 Genesee Street
Auburn, NY 13021
(315) 255-1125
FTS 963-2222

Riverfront Office Building
Oswego, NY 13126
(315) 343-4966

May 30, 1989

The Honorable Sam Gibbons
Chairman, Trade Subcommittee
Committee on Ways and Means
1111 Longworth HOB
Washington, D.C. 20515

Dear Sam:

In response to the Subcommittee on Trade's request of May 3 for written comments on a number of tariff and trade bills and as a cosponsor of H.R. 1683, I am taking this opportunity to provide the Subcommittee with my reasons for supporting this legislation.

H.R. 1683 would extend for a four-year period the eight-month old existing suspension on certain subassemblies, parts and components used in indirect process electrostatic copying machines. The extension is being requested because as originally introduced the current suspension was to have been effective for four years. However, since it became a part of the Omnibus Trade Bill when that bill was finally enacted, the time frame had shrunk to just a little over two years.

These products are being imported, with certain exceptions due to a controversial Customs Service position, under the duty suspension subheading in the Harmonized Tariff System 9902.90.90. In the absence of the suspension, they would be imported under subheading 9009.90.00 at the rate of 3.9% ad valorem.

I have cosponsored this bill at the request of the Xerox Corporation to promote the continuation and growth of competitive office copy machine assembly operations in the United States. While office copy machines are made in a number of countries, the two primary producers are Japan and the United States. Since the introduction of the first copiers in the marketplace, the composition of that market has changed dramatically, particularly in recent years. Industry analysts estimate that during 1988, as many as 90 percent of all copiers placed in service in the United States, including small, personal copiers, were manufactured by Japanese companies.

Although the office copier is viewed as a high technology product by most, its intensely competitive market has many characteristics of a commodity -- with price being of prime importance in determining the competitiveness of a company's final product.

While a large U. S. supplier base still remains, the ability of an office copier manufacturer to purchase certain parts and subassemblies in the U.S. at competitive price and qualities is limited. This means all cost elements are extremely important in turning out a competitive product. Thus the tariff, although relatively small, is a significant factor in the cost of components and thus in the cost of the final product.

Because of these competitive factors, the trend in recent years has been increasingly to assemble office copiers overseas. In a nutshell, the duty has been counterproductive in protecting U.S. suppliers. It has been an important factor in encouraging overseas production from components supplied by non-U.S. firms.

Mr. Chairman, I cosponsored this legislation to help stem this tide and revive and expand U.S. based manufacturing facilities of office copiers.

I understand that the Administration is in the midst of trade talks which are likely to be concluded and implemented within the next three to four years. However, reliance on these negotiations to extend the duty suspension is risky. A favorable outcome will not take place in time to make up for the short fall that will occur if the duty suspension expires. Any lapse in the current duty suspension would adversely affect strategic plans for competitive Xerox U. S. copier manufacturing.

In conclusion, I urge the Ways and Means Committee to favorably report H. R. 1683 to the House of Representatives.

With best wishes,

Sincerely,

Frank

Frank Horton

FH:rbs

MEMORANDUM IN SUPPORT OF H.R. 1683

AN EXTENSION OF A TEMPORARY DUTY SUSPENSION FOR CERTAIN PARTS OF OFFICE COPIERS SUBMITTED BY XEROX CORPORATION

These comments are submitted to the Subcommittee on Trade of the Committee on Ways and Means on behalf of Xerox Corporation.

The Xerox Corporation is urging Congress to pass H.R. 1683, legislation to extend until December 31, 1994, the current provisions suspending the duties on certain parts of office copiers under subheading 9902.90.90 of the Harmonized Tariff System. This legislation is cosponsored by Representatives Philip Crane (R-NY), Louise Slaughter (D-NY) and Frank Horton (R-NY).

This suspension covers approximately 60 percent of all components imported by Xerox, including many of the major assemblies and related parts for its copiers. In the absence of the suspension, these parts would be imported under subheading 9009.90.00 at the rate of 3.9% ad valorem.

Xerox Corporation is in the information products and systems business worldwide, with about 32% of its 1988 revenue generated outside the United States in the reprographics segment. This is its major segment and consists of developing printing systems, along with related spare parts and services to support its products.

The primary Xerox Research and Development and manufacturing facility for reprographic products and related supplies worldwide is located in the town of Webster, New York, where approximately 9,500 unionized, salaried and managerial workers are employed with an annual payroll of close to $485 million. It is the largest employer in the town of Webster, the second largest in Monroe County and among the largest in New York State. An affirmative action program of long standing, for which the Corporation is widely acclaimed, is in place.

More than one-fifth of the facility's output is exported. Given the competitive opportunity, it is anticipated that the percentage of exports will grow. The facility purchases approximately $1 billion in goods and services annually. Xerox subsidiaries and affiliates operate similar manufacturing facilities in Brazil, Canada, England and the Netherlands, all of which are capable of manufacturing identical products.

The xerographic process is the basic technology used in practically all office copiers sold worldwide. Xerox Corporation was the first to take the process technology and make the research and development investment that led to the production of xerographic office copiers for commercial markets.

Since the 1960 commercial introduction of Xerox's "Model 914" office copier, the worldwide composition of the copier industry has changed significantly. The percentage of xerographic copiers sold in the United States that are actually manufactured and assembled here dropped dramatically from 100% in 1960 to about 10% in 1988, according to the leading industry watchdog, Dataquest. The most significant development recently has been the dramatic inroads in the United States of copiers manufactured by Japanese companies, estimated in 1988 to have been approximately 90 percent of all copiers placed in service, including small, personal copiers.

One reason for these changes is the fact that, although office copy machines are high technology products in nature, market competition is so intense that their pricing is similar to that of commodities. Abundant supply drives prices down to the level where small elements in the cost of manufacture can determine the tilt for or against the competitive position of a particular production location.

Xerox has continued to take all steps available to keep its Webster facility cost competitive on a worldwide basis, rather than assigning all manufacturing to offshore locations and having its United States operations act only as a distribution channel for foreign products. Included in those steps is the utilization of existing provisions of laws which provide duty deferment and reduction opportunities, such as the duty-free status of U.S. origin goods being returned after additional processing abroad, participation in duty drawback programs, and establishment and operation of a foreign trade sub-zone at the Webster facility.

In addition to these efforts to reduce the cost of components, Xerox launched a major effort assisting its suppliers of purchased parts to improve their quality, cost and delivery (COD). The three principles -- Quality, Cost and Delivery -- guide Xerox's purchases worldwide. In order to maintain its competitive position for copiers manufactured in its Webster facility, Xerox has had to source many of its components abroad.

Xerox has pursued local sourcing strategies which have reduced the number of parts imported resulting in a substantial increase in local values.

Nevertheless, these are long term efforts that will take several years to come into full fruition. In the meantime, intense price competition is the hallmark of the current market faced by the copier industry. As noted above, small elements in the cost of manufacture can determine the tilt for or against the competitive position of a particular production location. Duty payments applicable to imported parts and components are such an element.

A related duty element that makes importation of completed copiers more attractive than investment in U.S. production is the fact that completed copiers are now imported at a lower rate of duty, 3.7% ad valorem, than most of all the components. The duty spread is largest on many generic parts, such as mounted lenses, dutiable at 6.6% ad valorem under subheading 9002.19 of the Harmonized Tariff System. H.R. 1683 would continue the important step toward addressing this disparity taken by the existing suspension.

Xerox views continuation of the suspension in H.R. 1683 as essential to maintaining the competitiveness of its manufacturing facilities in Webster, New York.

In sum, Xerox urges passage of this legislation for the following reasons:

- o Passage of this legislation is essential to maintaining the competitiveness of Xerox Corporation's manufacturing facilities in Webster, New York. Unless Xerox can maintain its lower manufacturing costs, the competitiveness of Xerox' U.S. assembly operations will be endangered.
- o Xerox' copier/duplicator assembly work in the Rochester, New York area employs more than 9,500 people and the Corporation is estimated to make a contribution to the local economy of $1 billion as a result of both direct and indirect purchases of goods and services.

- This legislation encourages Xerox and other manufacturers of office copy machines to continue to expand production in the United States and to make plans to make future products here also, with both an increase in jobs and much needed capital resources.

- This legislation would help stem the tide of American manufacturers transferring assembly operations abroad.

- It would continue to buy time for Xerox, allowing the company's efforts to improve the quality and price competitiveness of its major suppliers in the United States to come to fruition.

- Reinstatement of the 3.9% ad valorem duty would be counterproductive to the companies it is designed to protect because it effectively pushes manufacturers toward production overseas, resulting in loss of sales by U.S. parts manufacturers in a much greater volume.

- This relief must continue. Trade talks now underway promise only possible relief, likely to be phased in over a number of years, and by then it may be too late.

Respectfully submitted by:

Mr. Kenneth H. Klein
Counsel, Government Affairs
XEROX CORPORATION
490 L'Enfant Plaza East, S.W.
Washington, D.C. 20024

Janet L. Hunter
Philip M. Vaughn
INTERNATIONAL BUSINESS-
GOVERNMENT COUNSELLORS, INC.
818 Connecticut Ave., N.W.
Washington, D.C. 20006

H.R. 1694

To reduce the rate of duty applicable to certain modeling pastes.

NEVILLE, PETERSON & WILLIAMS
COUNSELLORS AT LAW
39 BROADWAY
NEW YORK, NEW YORK 10006
TELEPHONE: (212) 635-2730
FACSIMILE: (212) 635-2734

MARTIN J. NEVILLE
JOHN M. PETERSON
DAVID C. WILLIAMS

OF COUNSEL
WILLIAM L. DICKEY *
* NOT ADMITTED IN NEW YORK

WASHINGTON OFFICE

DICKEY, NEVILLE, PETERSON
& WILLIAMS
1825 I STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20006
(202) 429-2067
FAX (202) 429-6674

VIRGINIA OFFICE

DICKEY, NEVILLE, PETERSON
& WILLIAMS
6850 NORTH FAIRFAX DRIVE
ARLINGTON, VA 22213
(703) 534-6543
FAX (703) 534-0329

May 25, 1989

Our File: 108-01

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Longworth House Office Building
Washington, D.C. 20515

Re: Comments of American Art Clay Co., Inc.
in Support of H.R. 1694

Dear Sir:

These comments are submitted on behalf of our client, American Art Clay Co., Inc. of 4717 West 16th Street, Indianapolis, Indiana 46222 in support of H.R. 1694, a bill to permanently reduce the tariff rate for imported modeling pastes.

Founded in 1919, AMACO is a major United States manufacturer of modeling pastes and clays, producing a broad range of products for use in homes, schools, artists' studios and industrial facilities. The company's first product, PERMOPLAST, has for over 70 years set a national standard as a first quality, nonhardening modeling clay. PERMOPLAST is the foundation upon which AMACO has built a complete line of art and craft modeling materials, ceramic and metal enameling supplies and equipment, decorative finishes and educational toys. AMACO produces modeling clays at its plant in Indianapolis, Indiana.

To complement its domestic production, AMACO imports certain types of clays from foreign countries, including Mexico and West Germany.

AMACO strongly supports H.R. 1694, a bill which would permanently reduce duties for imported "Modeling pastes, including those put up for children's amusement". Under the Harmonized Tariff Schedule of the United States (HTSUS), [19 U.S.C. Section 1202], which became effective January 1, 1989, modeling pastes and clays are classifiable under tariff item 3407.00.00.003, which provides for:

> **Modeling pastes, including those put up for children's amusement**; preparations known as "dental wax" or as "dental impression compounds", put up in sets, in packings for retail sale, or in plates, horseshoe shapes, sticks or similar forms; other preparations for use in dentistry, with a basis of plaster (of calcined gypsum or calcium sulphate) 10%

The 10% duty rate provided for modeling pastes and clays under the HTSUS is substantially higher than the duties which applied to these items under the former Tariff Schedules of the United States (TSUS). In Customs Service Ruling 829633 of May 13, 1988, imported modeling clays were held classifiable under TSUS item 799.0000, as articles not provided for elsewhere in the tariff, with duty at a rate of 3.7% ad valorem. The conversion to the HTSUS results in a duty rate over 270% as high as that which applied under the TSUS.

"Revenue neutrality" was one of the key goals in the conversion from the TSUS to the HTSUS. In directing the United States International Trade Commission to draft the tariff conversion, President Reagan urged the Commission to avoid changing duty rates for particular products, to the maximum extent practicable, consistent with sound nomenclature principles. HTS heading 3407 draws together many different products which were provided for in several different TSUS classifications having widely varying duty rates. The initial draft of the HTSUS conversion would have treated products classified in heading 3407 essentially as "mixtures", subjecting them to duty at "the highest rate applicable to any component material".[1] In subsequent drafts, a duty rate of 10% ad valorem was selected for this heading, on a more or less arbitrary basis. In the case of modeling pastes and clays, however, the duty rate selected is nearly three times as high as that which prevailed under the TSUS. This unintentional rate change needlessly increases the cost of this product to students, artists and other consumers.

H.R. 1694 would correct this oversight by providing a permanent eight-digit tariff heading covering "Modeling pastes, including those put up for children's amusement", with duty at the Column 1 rate of 3.7% ad valorem. The bill would thus restore to modeling pastes and clays the tariff status they enjoyed prior to the HTS conversion. AMACO enthusiastically supports this corrective measure.

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[1] See USITC Publication 1400, Conversion of the Tariff Schedules of the United States Into the Nomenclature Structure of the Harmonized System, Annex I (June, 1983).

As an American manufacturer of these products, AMACO can affirm that restoration of the 3.7% ad valorem duty rate will not render United States manufacturers vulnerable to increased import competition. Rather, it will restore the level of tariff protection which the industry formerly enjoyed, and would make it possible for United States manufacturers such as AMACO to supplement their domestic production with specialty and other products obtained from foreign sources.

Conversion of the TSUS to the Harmonized System nomenclature was a Herculean task. While revenue neutrality was an important goal, AMACO realizes that the conversion inevitably resulted in changed duty rates for specific products. Congress can, and should exercise its power to correct unintentional duty rate changes wherever they exist. With respect to modeling pastes and clays, H.R. 1694 would correct an unintentional duty rate change in a clear, straightforward and administrable way. AMACO strongly supports its passage.

Respectfully submitted,

MARTIN J. NEVILLE

John M. Peterson

JOHN M. PETERSON

JMP:pcv

Peter Pan Playthings Inc.

200 Fifth Avenue, Suite 404
New York, New York 10010
(212) 243-8728
Telex 238117 TAYL/Fax (212) 243-8294

June 5, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

I am writing in response to proposed tariff bill H.R. 1694 which I have been advised by Congressman Bill Green will be considered as part of the Omnibus Budget Reconciliatory Bill in mid-June.

Despite the Harmonized Tariff System's attempt to be "revenue-neutral" and to enhance rather than hamper world trade, the commodity which we manufacture has had such a massive increase in tariff, as to threaten the existence of our organization. The increase from 3.7% to 10% under the HTS is seemingly punitive and quite disproportionate, considering the innocuous nature of the product.

As there are no American manufacturers making an identical substance in the U.S., and considering the rather small volume our company does in the States, neither a domestic producer nor the Customs revenue will be adversely affected by a re-classification of the PLASTICINE product.

We are pleased that this matter will be addressed by the Subcommittee on Trade and urge the members to approve the proposed legislation.

Cordially,

Todd Gordon
Marketing Coordinator

/e
encl. (6)

TING CHAIRMAN

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

October 31, 1988

Honorable Bill Green
U.S. House of Representatives
Washington DC 20515

Dear Congressman Green:

Thank you for your letter concerning the questions raised by Peter Pan Playthings, Inc., about the tariff treatment of PLASTICINE under the Harmonized Tariff Schedule (HTS). The HTS was enacted by Public Law 100-418 and will become effective on January 1, 1989. Your constituent is correct in stating that PLASTICINE is presently subject to a rate of 3.7 percent and that the Customs Service has determined that it will become subject to a rate of 10 percent when the HTS is implemented in January 1989.

* We agree with your constituent's suggestion that the only recourse at this point is legislation to amend the recently enacted HTS. In the event that you wish to assist your constituent with legislation, we are enclosing, for your consideration, draft legislation which would accomplish the rate reduction sought by your constituent. If there are any questions concerning this draft, please contact Leo A. Webb of the Commission's Office of Tariff Affairs and Trade Agreements (252-1599).

Please do not hesitate to contact us if there are any further questions.

Sincerely,

Anne Brunsdale

Anne Brunsdale
Acting Chairman

Enclosure

That the Harmonized Tariff Schedule of the United States is amended by striking out subheading 3407.00.00 and inserting the following:

" 3407	Modeling pastes, including those put up for children's amusement; preparations known as "dental wax" or as "dental impression compounds", put up in sets, in packings for retail sale or in plates, horseshoe shapes, sticks, or similar forms; other preparations for use in dentistry, with a basis of plaster (of calcined gypsum or calcium sulfate):			
3407.00.10	Modeling pastes, including those put up for children's amusement....	3.7%	Free (E,I)	40%
3407.00.20	Other............................	10%	Free (E,I)	40% ".

H.R. 1695

To suspend for a 3-year period the duty on Levodopa.

COMMENTS FOR THE U.S. HOUSE OF REPRESENTATIVES
WAYS AND MEANS COMMITTEE

ON

H.R. 1695

To suspend for a three (3) year period the duty on Levodopa

H.R. 1696

To suspend for a three (3) year period the duty on Diflunisal

H.R. 1697

To suspend for a three (3) year the duty on ADC-6

H.R. 1887

To suspend for a three (3) year period the duty on Ala Pro

H.R. 1904

To suspend for a three (3) year period the duty on Amiloride HCl

H.R. 1905

To suspend for a three (3) year period the duty on D-carboxamide

H. R. 1906

To suspend for a three (3) year period the duty on Norfloxacin

H.R. 2001

To suspend for a three (3) year period the duty on the Tfa Lys Pro in free base and tosyl salt forms

These comments are in support of H.R. 1695, H.R. 1696, H.R. 1697, H.R. 1887, H.R. 1904, H.R. 1905, H.R. 1906 and H.R. 2001, legislative introductions to suspend import duties on Levodopa, Diflunisal, ADC-6, Ala Pro, Amiloride Hcl, D-carboxamide, Norfloxacin and Tfa Lys Pro.

06481/18

BACKGROUND

Merck & Co., Inc. is a U.S. based multinational organization engaged in the business of discovering, developing and producing products for the restoration or maintenance of human and animal health. In its international commercial activity, Merck & Co., Inc. is in a favorable balance of trade with the world. Merck U.S. exports have grown to approximately $500 million worth of product annually while imports to the U.S. are one-seventh that value. Significant factors limiting the profitability of our organization include capital expenditure, capacity utilization, and manufacturing costs. Duty suspension has an impact on the reduction of the effects of these factors.

BENEFITS

Suspensions on products not domestically produced or produced in limited quantities also offer the following benefits:

1) The degree to which resulting decreased manufacturing costs contribute to increased profits will be offset to a large degree by increased tax revenue.

2) Savings which are reinvested in Research and Development help to insure the continuous flow of competitive life improving and productivity improving drugs for both human and animal health.

3) Reference to cost savings as high as $14 million in 1986 to the U.S. consumers and other benefits resulting from temporary duty reductions and suspensions were reported in the United States International Trade Commission's Report to the Committee on Ways and Means (USITC Pub. No. 2060, Feb. 1988). On page 51 of that report, in reference to the pharmaceutical and chemical industries, the ITC concludes that "at least 50 percent of the cost savings resulting from the temporary duty suspension was probably passed through to U.S. consumers."

4) Duty suspension benefits to the U.S. economy and all of its sectors including government, consumer, commercial and labor accrue to a greater degree than do the benefits associated with drawback. Pharmaceuticals are consumed at a premium within the U.S. economy when duty paid import costs cannot be offset by qualifying drawback exports. In effect drawback allows benefits to the U.S. economy, similar to duty suspension benefits but with a lesser impact and only when foreign consumers share in those benefit.

7) In providing tariff incentives to U.S. based corporation who license innovative foreign produced active ingredients for consumption within the U.S., as quality of life enhancing pharmaceuticals, we are facilitating benefits to U.S. corporations and the U.S. economy by capitalizing on innovation on a global basis. Similarly, tariff incentives to U.S. based corporations who purchase unique and innovative foreign produced raw materials and intermediates facilitate benefits to the U.S. economy.

Legislation represents the only mechanism presently available to secure such treatment for U.S. based corporations and benefit to U.S. consumers.

SPECIFIC DETAIL

H.R. 1695 - Merck imports levodopa through the port of New York for formulation to SINEMET at its West Point, Pa facility. SINEMET is a patented anti-parkinson drug. Levodopa is manufactured in the U.S. by Searle, who is limited by its production capacity. Searle supplies all of its levodopa production of 25,000 kgs. to Merck. Of the 120,000 kgs. required by Merck annually to meet its international needs, 95,000 kgs. are purchased from Sankyo. The 55,000 kgs. noted above is duty paid import for domestic consumption and is the material on which drawback is recovered. Export of domestic levodopa purchased by one division is offset by the import of another corporate division permitting same condition substitution drawback on 50% of the annual duty assessment.The remaining 40,000 kgs. purchased from Sankyo is entered under warehouse entry for export without duty assessment or payment. Merck requests a suspension because domestic production capacity is limited and Merck must import 80% of its requirement for levodopa.

H.R. 1696 - The imported diflunisal, currently under U.S. patent to Merck & Co., Inc., is not manufactured by anyone in the U.S. and must be imported to meet U.S. demand. Diflunisal enters through the port of New York for formulating to dosage form in our West Point, PA, facility. The end use product, DOLOBID, is an anti-inflammatory/analgesic for use in osteoarthritis, rheumatoid arthritis, and pain associated with musculoskeletal sprains and strains, and postoperative pain following orthopedic and dental surgery. It is a non-steroidal difluorophenyl derivative of salicyclic acid which is not metabolized to salicylic acid. DOLOBID has a long duration of action and can be administered in larger and less frequent doses. It is indicated for use by a subpopulation of patients who cannot tolerate gastrointestinal and other side effects of aspirin. DOLOBID when administered in controlled

H.R. 1696 (Cont'd.)

tests at recommended dosages, produces fecal blood loss not significantly different from placebo. Aspirin at recommended dosage produces expected increase in fecal blood loss. DOLOBID is a patented prescription drug, rather than an over-the-counter pain reliever, that effectively alleviates the suffering of many patients with rheumatoid and osteoarthritis. In the transition from the 1988 U.S. Tariff to the Harmonized Tariff Schedule the duty rate on diflunisal imports has increased by 100% from 6.8% in 1988 to 13.5% after Dec. 31, 1988.

H.R. 1697 - The imported ADC-6 is not manufactured by anyone in the U.S. and must be imported to meet Merck manufacturing needs. No other U.S. importer to our knowledge uses this material. ADC-6 enters through the port of New York for processing in our Rahway, NJ, and Danville, PA, plants. The antibiotic is then sterilized in our Elkton, VA, plant and formulated to dosage form in our Wilson, NC, facility. PRIMAXIN and TIENAM are the end use products supplied to the domestic and foreign markets. These trademarked patented products are intravenous formulations of imipenem, a thienamycin antibiotic derivative and cilastatin, a specific kidney enzyme inhibitor that maintains a high level of antibiotic in the urinary tract. PRIMAXIN/TIENAM formulations have a remarkably broad spectrum of activity against gram-positive and gram-negative aerobic and anaerobic bacteria including strains resistant to penicillin, cephalosporin, cephamycin and other antibiotics. As such, there are no direct substitutes or competitive products currently in the U.S. market. It is a lifesaving unique drug. Exports of TIENAM to the high demand Japanese market as well as to other countries permit duty drawback on approximately 60% of the annual ADC-6 duty assessment. The requested duty suspension, when approved, will help to contain present manufacturing costs associated with imipenem. The currently used HSUS classification 2922.50.50 at the rate of 7.9% ad valorem is under review by New York NIS for classification in subheading 2941.90.50 at the rate of 3.7% ad valorem based on a binding ruling request. Merck & Co., Inc. hereby requests that a suspension granted for ADC-6 under subheading 2922.50.50 also apply under any subsequently approved headings including subheading 2941.90.50.

H.R. 1887 - Ala Pro is not manufactured in the U.S. and must be imported to meet Merck manufacturing needs. This raw material enters through the port of San Juan, PR, for processing in our Barceloneta, PR, plant. The resulting bulk active, enalapril maleate, is then formulated to dosage form in our West Point, PA, facility. The end use products, VASORETIC and VASOTEC, are patented ace inhibiting antihypertensives. The products are highly effective in significantly reducing blood pressure, are administered in once-a-day dosages, are useful in the treatment of congestive heart failure, and have fewer side effects than other antihypertensives. Squibb markets a competing patented ace inhibiting antihypertensive, CAPOTEN. Suspension of duty on imported ala pro is a minor factor in the market share of either of these competing drugs.

H.R. 1904 - The imported amiloride intermediate is not currently manufactured by any other producer in the U.S. Amiloride intermediate enters through the port of San Juan, PR, for processing in our Barceloneta, PR, plant. The pure diuretic is then formulated to dosage form, alone or in combination with other therapeutics, at our West Point, PA, facility. Merck & Co., Inc. hereby requests that duty suspension coverage apply to both the crude and pure forms of amiloride HCL. The end product, MIDAMOR is a potassium sparing diuretic, and MODURETIC, a combination drug is unique in its activity.

H.R. 1905 - The imported D-Carboxamide is not manufactured by anyone in the U.S. and must be imported to meet Merck manufacturing needs. D-Carboxamide enters through the port of New York for processing at our Danville, PA, and Elkton, VA, plants. The resulting cilastatin is combined with imipenem at our Elkton, VA, or Wilson, NC, facilities for marketing as PRIMAXIN or TIENAM , each lifesaving antibiotics. PRIMAXIN and TIENAM are the end use products supplied to the domestic and foreign markets. These trademarked patented products are intravenous formulations of imipenem, a thienamycin antibiotic derivative and cilastatin, a specific kidney enzyme inhibitor that maintains a high level of antibiotic in the urinary tract. PRIMAXIN/TIENAM formulations have a remarkably broad spectrum of activity against gram-positive and gram-negative aerobic and anaerobic bacteria including strains resistant to penicillin, cephalosporin, cephamycin and other antibiotics. As such, there are no direct substitutes or competitive products currently in the U.S. market. It is a lifesaving unique drug. In the transition from the 1988 U.S. Tariff to the Harmonized Tariff Schedule, the duty rate on D-Carboxamide imports has increased by 113.5% from 3.7%

H.R. 1905 (Cont'd.)

in 1988 to 7.9% after Dec. 31, 1988. The requested duty suspension, when approved, will help to contain present manufacturing costs associated with cilastatin and will tend to have a positive anti-inflationary impact on the price of the finished drug.

H.R. 1906 - The imported norfloxacin currently under license to Merck & Co., Inc. for the U.S. market, is not manufactured by anyone domestically and must be imported to meet U.S. demand. Imports enter through the port of New York for processing and formulation in our West Point, PA, facility. The end use product, NOROXIN, is an oral antibiotic for urinary tract infections (UTI). Norfloxacin, a fluoroquinoline, differs from other quinolines by having a fluorine atom which provides increased activity against gram-negative organisms and a piperazine moiety that is responsible for antipseudomonal activity. It demonstrates activity against virtually all bacteria implicated in UTI and certain organisms resistant to other classes of antibacterial agents, aminoglycosides (including gentamicin), penicillins, cephalosporins, tetracyclines, macrolides, and sulfonamides, including combinations of sulfamethoxazole and trimethoprim. Resistance to norfloxacin due to spontaneous mutation in vitro is a rare occurrence. Resistance of the organism has developed during therapy with norfloxacin in less than 1% of patients treated.

H.R. 2001 - Tfa Lys Pro free base and tosyl salt are not manufactured in the U.S. and must be imported to meet Merck manufacturing needs. The resulting bulk antihypertensive is then formulated to dosage form in our Wilson, NC, facility. This raw material enters through the port of San Juan, PR, for processing in our Barceloneta, PR, plant. The tosyl salt and free base, will be used interchangeably in the process depending on availability, process efficiency, and other manufacturing factors. Revenue and import costs will not vary significantly from the totals reported above. An increase in the import of one form will be offset by a decrease in the other. The end use product, lisinopril, is a patented ace inhibiting antihypertensive. ICI and Merck & Co., Inc. by contractual agreement co-market this drug in the U.S. Squibb markets a competing patented ace inhibiting antihypertensive, CAPOTEN . Suspension of duty on imported TFA LYS PRO free base and tosyl salt is a minor factor in the market share of either of these competing drugs. Merck & Co., Inc. requests that a suspension granted for Tfa Lys Pro apply to both the free base and tosyl salt forms under subheadings 2922.49.50 and 2922.49.30 respectively.

Respectfully submitted,

Michael J. Szabocsik

Michael J. Szabocsik
International Logistics Associate
Merck and Co., Inc.
Rahway, NJ 07067
(201) 855-4448

06481/23

Bill Number	Import Item	Country of Origin	Estimated Imports 1990-1992, Inclusive	Estimated Revenue 1990-1992, Inclusive	Estimated Revenue Net of Drawback 1990-1992, Inclusive
H.R. 1695	Levodopa	Japan	$18,000,000	$1,566,000	$710,000
H.R. 1696	Diflunisal	UK	43,900,000	5,916,000	
H.R. 1697	ADC-6	Switzerland	44,000,000	1,623,000	649,000
H.R. 1887	Ala Pro	France and Japan	4,039,200	170,000	
H.R. 1904	Amiloride HCl	Ireland	8,000,000	552,000	
H.R. 1905	D-Carboxamide	Japan	9,300,000	735,000	294,000
H.R. 1906	Norfloxacxin	Japan	6,500,000	1,300,000	
H.R. 2001	Tfa Lys Pro	France and Japan	20,639,500	763,600	

H.R. 1696

To suspend for a 3-year period the duty on Diflunisal.

DOW THE DOW CHEMICAL COMPANY

MIDLAND, MICHIGAN 48674

2020 Willard H. Dow Center
June 12, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

DIFLUNISAL

Dear Mr. Leonard:

The Dow Chemical Company, as a producer of acetylsalicylic acid (aspirin) domestically, wishes to express our deep concern and dissatisfaction with the proposed suspension of duty status to be afforded diflunisal. Our industry has been undergoing several years of declining profit due to low pricing. Compound this suppressed pricing with escalating phenol and acetic anhydride raw material prices and our opportunity for reasonable profits becomes even bleaker.

Therefore, it seems inappropriate for the U.S. Government to allow a competitive import analgesic product into the United States duty free. This product should not get a special dispensation at the expense of our domestic industry.

Sincerely,

Dennis R Camp

Dennis R. Campbell
Marketing Manager
Organic Intermediates
Chemicals & Metals Department
517/636-2737

H.R. 1697

To suspend for a 3-year period the duty on ADC-6.

See contents pages for statements on this bill.

H.R. 1698

To provide equitable tariff treatment regarding certain electromechanical tools.

No statements submitted.

H.R. 1700

To amend the Harmonized Tariff Schedule of the United States to exclude certain waste and scrap metals from aprovision regarding the return of metal to the United States.

Before the

SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

COMMENTS IN SUPPORT OF

H.R. 1700

Regarding the Tariff Classification of Scrap-Based Metal Products

Submitted by

ALLEGHENY LUDLUM STEEL CORPORATION

ARMCO SPECIALTY STEELS DIVISION
ARMCO INC.

CARPENTER TECHNOLOGY CORPORATION

COSHOCTON STAINLESS DIVISION OF
CYCLOPS CORPORATION

CRUCIBLE SPECIALTY METALS DIVISION
CRUCIBLE MATERIALS CORPORATION

JESSOP STEEL COMPANY

J&L SPECIALTY PRODUCTS CORPORATION

SLATER STEELS CORPORATION
FORT WAYNE SPECIALTY ALLOYS DIVISION

WASHINGTON STEEL CORPORATION

DAVID A. HARTQUIST
PAUL C. ROSENTHAL
KATHLEEN WEAVER CANNON
COLLIER, SHANNON, RILL & SCOTT
1055 Thomas Jefferson St., N.W.
Washington, D.C. 20007
(202) 342-8400

May 31, 1989

Pursuant to the request of the Subcommittee on Trade for written comments from interested parties on the miscellaneous tariff bills, these comments are submitted in support of H.R. 1700, a bill proposed by Congressman Austin J. Murphy to exclude certain waste and scrap metals from a provision regarding the return of metal to the United States. Through these comments, the following domestic manufacturers of stainless steel products demonstrate their support for this legislation: Allegheny Ludlum Steel Corporation of Pittsburgh, Pennsylvania; Armco Specialty Steels Division of Butler, Pennsylvania; Coshocton Stainless Division, Cyclops Corporation of Pittsburgh, Pennsylvania; Crucible Specialty Metals Division, Crucible Materials Corporation of Syracuse, New York; Jessop Steel Company of Washington, Pennsylvania; J & L Specialty Products Corporation of Pittsburgh, Pennsylvania; Slater Steel Corporation, Fort Wayne Specialty Alloy Division of Fort Wayne, Indiana; and Washington Steel Corporation of Washington, Pennsylvania.

The identified domestic specialty steel producers urge the adoption of H.R. 1700 for several reasons. First, adoption of the legislation would close a loophole in the Tariff Schedules that effectively subsidizes foreign metals manufacturers to the detriment of U.S. producers. Second, the legislation would ensure that the original intent of Congress in drafting the statutory provision was applied. Third, adoption of the legislation would be a revenue-raising measure for the United States.

I. BACKGROUND

Under item 9802.00.60 of the Harmonized Tariff Schedules of the United States, as transferred from item 806.30 of the Tariff Schedules of the United States, [1] metal articles manufactured in the United States that are exported for further processing and then returned to the United States for further processing are, upon importation, subject to a duty only upon the value of the processing that occurs outside the United States. In sponsoring this statutory provision originally in 1953, Congressman Victor A. Knox stated that the purpose of the provision was to facilitate the processing of U.S. metal articles in contiguous areas of Canada during breakdowns and other emergencies at nearby U.S. plants. The bill was described as an emergency measure, intended to assist U.S. metals manufacturers in times of crisis so that they could remain operational by having neighboring plants in Canada perform an intermediate processing step in the production of a metal product. 99 Cong. Rec. 8681 (1953).

From this intentionally very limited provision, designed to assist U.S. metals manufacturers in times of crisis, the U.S. Customs Service has overly expanded the application of the provision to accomplish exactly the opposite. The Customs Service has determined that raw materials such as waste and scrap, if exported abroad and manufactured in any foreign country into a finished article of steel such as plate or sheet, are eligible for the special duty-free treatment of item 806.30. Under this interpretation, rather than operating to assist U.S. companies in times of emergency, the provision is now being used by foreign manufacturers as a means of evading U.S. tariffs and encouraging foreign rather than U.S. metal manufacturing.

Foreign manufacturers essentially by-pass U.S. manufacturing operations, as described in the statutory provision, by obtaining U.S. waste or scrap metal products and shipping those raw materials abroad to be manufactured into finished metal products. These finished metal products are then imported into the United States by, in many cases, the consumers of the metal products for application to their final use. Accordingly, all U.S. metal manufacturing operations are eliminated -- a result directly at odds with the purpose of the provision.

In an attempt to have this erroneous interpretation changed, the domestic stainless steel industry filed a petition in November 1986 with the Customs Service pursuant to section 516 of the Tariff Act of 1930, as amended (19 U.S.C. § 1516). The petition contested the classification of imported stainless steel products that are produced from exported U.S. scrap. In rejecting the requested reclassification in March 1988, the Customs Service stated, in essence, that it was its longstanding practice to treat scrap-based products as properly classifiable under item 806.30 notwithstanding the legislative intent underlying the statute.

1/ Because all of the reports of importations under these special metals provisions are based on pre-1989 data, prior to the time the Harmonized System came into effect, references in these comments will be to item 806.30 of the Tariff Schedules of the United States, the equivalent of HTS No. 9802.00.60. The bill as formulated, however, modifies the language of HTS No. 9802.00.60, as that is the provision now in effect.

Accordingly, the domestic stainless steel industry seeks the adoption of H.R. 1700 as a means of restoring the original, limited application of item 806.30 to exported, manufactured metal products and not permitting the continued partial duty-free treatment to metal products manufactured from exported U.S. scrap.

II. CONGRESS SHOULD CLOSE THE LOOPHOLE PERMITTING PARTIAL DUTY-FREE ENTRY OF FOREIGN METAL PRODUCTS

Under item 806.30, imported metal products are exempt from customs duties on that portion of the metal product produced from metal that was "manufactured" in the United States. Waste or scrap is not a product that is manufactured; rather, scrap is a raw material input to the production of a final product. The headnotes to the tariff classification for iron or steel waste and scrap define waste and scrap as "materials and articles of metal which are second-hand or waste or refuse, or are obsolete, defective or damaged, and which are fit only for the recovery of the metal content . . . ." See Schedule B of the Tariff Schedules of the United States. This definition makes plain that scrap is not a manufactured product but is akin to waste or refuse. Whether or not scrap is "manufactured," however, is not the issue behind the closing of this loophole.

There is also serious question as to whether anyone could verify that the exported scrap is manufactured "in the United States" as required by the statute. Most scrap that is exported is purchased from a scrap dealer, and Customs admits that the shredding and bundling operations performed by a scrap dealer do not satisfy the requirement that the exported metal be manufactured in the United States. To satisfy this requirement, according to Customs, the metal that becomes scrap must have been manufactured in the United States originally. Customs has recognized that the requirement that the scrap material exported be wholly of U.S. origin is, in practice, a requirement that is very difficult to prove. American Metal Market, June 18, 1986, at 1.

Nonetheless, the Customs Service has consistently permitted metal products manufactured from exported U.S. scrap to enter under item 806.30 and to avoid duties on the value of the exported scrap material input. Substantial volumes of scrap-based stainless steel and other metal products are being imported under item 806.30. See Tables 1 and 2. The duty-free value of the imported steel products leads U.S. producers to believe that a high percentage of the 806.30 steel imports are made from exported U.S. scrap.

Through the use of this erroneous classification, imports of steel entered under item 806.30 avoided roughly $5 million in customs duties in 1987 alone. Imports Under Items 806.30 and 807.00 of the Tariff Schedules of the United States, 1984-1987, USITC Pub. 2144 at 6-11 (December 1988). Moreover, while total U.S. steel imports declined between 1984 and 1987 as a result of the voluntary restraint agreements program, steel imports under item 806.30 increased by more than 300 percent during this time. Id. It is estimated that specialty steel products made from exported U.S. scrap account for 56 percent of 806.30 imports of specialty steel products.

As these statistics indicate, foreign steel producers are taking increasing advantage of the loophole in the law that Customs' erroneous interpretation of the tariff provision has permitted. To prevent this continued circumvention of customs duties, the statute should be amended to specifically state that metal products manufactured from exported U.S. scrap or waste are not eligible for item 806.30 treatment.

III. THE ORIGINAL INTENT OF CONGRESS IN DRAFTING THE STATUTE WOULD BE FULFILLED BY H.R. 1700

As originally noted, an amendment to the law to eliminate scrap-based metal products from 806.30 eligibility would also be consistent with the original legislative intent in adopting the statutory provision. The predecessor to item 806.30, section 202 of the 1954 Customs Simplification Act (amending section 1615(g) of the Tariff Act of 1930), was adopted in response to complaints from U.S. metal producers located near the border of Canada who, in times of overutilization of capacity, needed to have a certain part of the metal processing done by a neighboring steel producer in Canada. In response to this concern, Congressman Victor Knox sponsored a provision to assist the domestic metal producers by permitting them to export the metal product to Canada for an intermediate processing step and then return to the United States for further processing. 99 Cong. Rec. 8681.

The purpose underlying 806.30, therefore, was to assist a U.S. metals producer who needed a particular processing stage performed abroad — not to bypass all metal production in the United States by shipping raw materials abroad for manufacture into finished steel products that are then imported and sold to U.S. consumers. Because the Customs Service has extended application of this limited provision to encompass exported U.S. scrap that is manufactured into finished steel products such as plate, sheet and strip, and then imported under item 806.30, the provision as now applied is totally inconsistent with the intent underlying its enactment.

H.R. 1700 would help to restore the original legislative intent in adopting this provision by ensuring that scrap, which is essentially a new material and not a manufactured good of a U.S. metal producer, would be ineligible for special treatment under 806.30. By eliminating scrap-based metal products from 806.30 eligibility, Congress would be restoring the original intent that a manufactured U.S. metal product be exported before 806.30 treatment were allowed. Such a change would encourage U.S. production of metal products and discourage foreign producers from using U.S. raw materials as a means of evading customs duties.

IV. THE BILL WOULD BE A REVENUE-RAISING MEASURE FOR THE U.S.

Finally, passage of this legislation would be a revenue-raising measure for the United States. In 1987, the duty-free content of imports under item 806.30 was $416 million. USITC Pub. 2144 at 6-1. This figure represents roughly half of the normal dutiable value of the goods. Moreover, since imports under item 806.30 have been steadily increasing over the last several years, it can be expected that this duty-free figure and, hence, loss of revenue to the U.S. government, will also increase in the future.

When the reason for the duty-free treatment is considered, it is clear that this loss of revenue is benefiting foreign producers at the expense of the U.S. government and U.S. producers of metal products. By permitting partial duty-free treatment for U.S. scrap-based metal imports, the United States is effectively subsidizing foreign metals manufacturers and encouraging overseas production of metal products from U.S. raw materials (waste and scrap). At this time of a severe trade deficit, the subsidization of foreign producers at the expense of U.S. producers and the U.S. Treasury should not be permitted to continue.

For all of these reasons, the domestic specialty steel producers identified herein urge the adoption of H.R. 1700.

TABLE 1

1987 Imports Of Certain Metal Products Under 806.30

($1,000)

Product Category	Total Import Value	Duty-Free Value	Ratio of Duty-Free Value to Total Value
Steel Shapes and Plates	332	192	57.8
Steel Sheet and Strip	40,642	29,066	71.5
Wrought Copper and Copper Alloys	4,261	2,561	60.1
Wrought Aluminum Other than Foil	207,677	137,158	66.0
Aluminum Foil	10,537	4,967	47.1
TOTAL	263,449	173,944	66.0

Source: U.S. International Trade Commission Publication 2144, December 1988.

TABLE 2

Calculation of Estimated Duties Foregone in 1987 Due to the Eligibility of Certain Scrap-Based Products For 806.30 Tariff Treatment

Product Category	Estimated Average Duty 1/	Estimated Percentage Of Total 806.30 Imports Produced From Exported Scrap 2/	Duty-Free Value of Estimated Scrap-Based 806.30 Imports 3/ 4/ ($1,000)	Estimated Total Duties Foregone on Scrap-Based 806.30 Imports 3/ 5/ ($1,000)
Steel Shapes and Plates	6%	75%	63	3.8
Steel Sheet and Strip	5%	30%	3,000	150.0
Wrought Copper and Copper Alloys	5%	60%	1,408	70.4
Wrought Aluminum Other Than Foil	4%	65%	80,994	3,239.8
Aluminum Foil	7%	50%	1,317	92.2
TOTAL			86,782	3,556.2

1/ Average duties reflect roughly the mid-points of the ranges of Column 1 duties applicable to imports in each product category.

2/ Calculated from the ratio of duty free value to dutiable value and the estimated percent of total finished product value accounted for by scrap in each product category.

3/ "Scrap-based imports" refers to 806.30 imports produced from scrap exported from the United States.

4/ Calculated by applying the estimated percentage of scrap-based imports to the total import value in each category, then applying the estimated percent of total value of each type of product accounted for by scrap to the total calculated value of the scrap-based imports.

5/ Calculated by applying the estimated average duty rate to the duty-free value of estimated scrap-based 806.30 imports.

Prepared by Georgetown Economic Services from U.S. International Trade Commission data.

STATEMENT OF THE AMERICAN IRON AND STEEL INSTITUTE

The American Iron and Steel Institute, on behalf of its domestic member companies, is pleased to submit comments to the Subcommittee on Trade in support of H.R. 1700, a bill proposed by Congressman A. J. Murphy to exclude certain waste and scrap metals from Harmonized Tariff Schedule Item 9802.00.60, a provision regarding the return of metal to the United States under reduced duty.

AISI believes the adoption of this bill would restore the original legislative intent of Congress when the provision was originally passed in 1953. At that time, this provision was expected to have a positive effect on U.S. metal producers by allowing them access to metals processing operations, particularly in contiguous areas of Canada during breakdowns and other emergencies at U.S. production facilities. By using manufacturers in Canada to perform intermediate processing steps, it was expected that U.S. facilities would benefit.

Unfortunately, this limited provision -- which requires that the product being exported from the U.S. be a product manufactured in the U.S. -- has been expanded under current Customs Service rules so that now raw materials such as waste and scrap, when exported and manufactured in a foreign country into a steel mill product are eligible for duty-free treatment under HTS 9802.00.60. We believe that in granting this benefit for exports of scrap, Customs has erred in classifying steel scrap as a manufactured product. This error, in turn, has reduced Congressionally-mandated duties on imported steel mill products by allowing the scrap based value to enter duty free. In 1986, domestic stainless steel producers attempted to have this interpretation of the law changed administratively, but Customs rejected their petition in 1988.

That the use of this provision has become a problem is clear. Current data on imports under TSUS 806.30 (the predecessor to HTS 9802.00.60) indicate that the use of this provision by foreign steel manufacturers has increased in recent years. During the period 1984-1987, steel imports under TSUS 806.30 increased by more than 300 percent.

In order to allow scrap exports to be the basis for a transaction under this HTS classification, Customs must determine that the scrap to be exported is wholly of U.S. origin. We believe that this is a virtual impossibility based on the processing practices of the scrap metal shredding and exporting industry. In addition, we believe that it is virtually impossible for foreign exporters to the U.S. that purchase U.S. scrap material to certify that the products entering the United States are manufactured solely of U.S. scrap, and do not contain scrap from their own domestic scrap industry, or other sources.

Finally, passage of this legislation would be a revenue raising measure for the U.S. because payment of the normal steel import duty would be required. We believe that this is a significant point for the Congress to consider given the ongoing problems with the government's budget deficit, and because the use of this measure for exports of scrap clearly does not have an offsetting positive economic impact on the U.S. economy -- it merely subsidizes foreign metal manufacturers by offering lower duties on products shipped to the United States.

For all of these reasons, the American Iron and Steel Institute strongly supports the passage of H.R. 1700.

COMMENTS OF THE
COPPER AND BRASS FABRICATORS COUNCIL

On behalf of the Copper and Brass Fabricators Council, a trade association comprised of domestic producers of various copper and copper-alloy fabricated products, we submit these comments in support of H.R. 1700. The Copper and Brass Fabricators Council is a trade association whose members account for more than 80 percent of all domestically produced brass mill products in the United States, including sheet, strip, plate, rod and bar, and both plumbing and commercial tube. A list of the names and addresses of the Council and its member firms is appended at Exhibit 1.

The Copper and Brass Fabricators Council supports H.R. 1700 because it would close a significant loophole existing in U.S. law that has been taken advantage of by several major foreign producers. H.R. 1700 addresses the statutory provision that permits partial duty-free treatment to imported metal products that are manufactured from exported, manufactured U.S. metal products. The imported metal products are dutiable only on that portion of the manufactured value added overseas and not on the exported metal value. The purpose of H.R. 1700 is to amend the Harmonized Tariff Schedule of the United States to exclude certain waste and scrap metals that are exported for manufacture into metal products from this preferential duty-free treatment.

The statutory provision, typically referred to as item 806.30 classification based on its treatment in the Tariff Schedules of the United States, is now contained in item 9802.00.60 of the Harmonized Tariff Schedules of the United States. Because the reports of imports of copper and copper-alloy products contained in these comments are based on pre-1989 data, references in these comments will be to item 806.30.

Under this statutory provision, it should be plain that metal products manufactured from exported scrap do not qualify for item 806.30 treatment because scrap is not a "manufactured" metal product as required by the statute. Scrap is akin to waste or refuse and is a raw material input to copper and brass fabricated products, not a manufactured product itself.

Despite this fact, the U.S. Customs Service has apparently determined that scrap-based metal products are eligible for entry under item 806.30. Permitting manufactured metal products partial duty-free treatment because they are made from exported U.S. raw materials such as metallic scrap merely encourages foreign production of metal products for U.S. consumption to the detriment of U.S. producers.

The Copper and Brass Fabricators Council is particularly concerned about the overly broad application of item 806.30 to scrap-based copper and copper-alloy imports for several reasons. First, there has been a specific request by a foreign producer for advice on whether classification of materials under 806.30 results in an exemption from antidumping duties otherwise due on all or part of the product. Second, there has already been a significant surge in imports of brass products under item 806.30 in the latter half of 1988. And third, a review of the practices of the European Community with respect to copper and copper-alloy scrap in the context of a section 301 petition filed by the Council demonstrates the increased sensitivity of foreign producers to the use of scrap-based imports in gaining a competitive advantage in the U.S. market.

I. FOREIGN PRODUCER REQUEST FOR EXEMPTION FROM ANTIDUMPING DUTIES OF SCRAP-BASED BRASS IMPORTS UNDER 806.30

By letter dated November 8, 1988 to the Department of Commerce, William Prym-Werke GMBH & Co. KG, a producer of brass sheet and strip in West Germany, requested advice on the application of antidumping duties to item 806.30 imports. The advice requested encompassed both a toll basis arrangement and an arrangement whereby scrap is purchased in the United States by a foreign producer and then fabricated into a metal product abroad. William Prym-Werke asked whether, under either set of circumstances, the antidumping duty was applicable only to the fabricated portion of the product or to the total value of the product.

This request by William Prym-Werke comes on the heels of the Commerce Department's finding that brass sheet and strip imports from nine countries including West Germany are being sold at less than fair value in the United States. In an attempt to minimize the duty owed to Customs, under both regular customs duties and the antidumping duty law, William Prym-Werke and other companies subject to antidumping duties are increasingly utilizing item 806.30 to import brass sheet and strip.

In an attempt to answer this issue, the Copper and Brass Fabricators Council has contacted the Customs Service to ascertain how such evasive action would be handled. On separate occasions from different members of the Customs Service, conflicting opinions have resulted. In one instance, the Council was told that items entered under item 806.30 are not exempt from antidumping duties, i.e., that the value of tolled metal or purchased U.S. scrap metal is included in calculating antidumping duties. In another instance, the Council was informed that the 806.30 value is excluded from antidumping duties. The Commerce Department has not to date issued a response to William Prym-Werke's request on the application of antidumping duties to such shipments. Thus, the Council remains confused and concerned as to the official position of the government on this matter and as to the actual enforcement of this provision by individuals at the ports.

Whatever the outcome of the antidumping duty issue, however, it remains clear that Customs will not assess regular customs duties on the value of the scrap purchased by William Prym-Werke or other foreign producers and fabricated into brass sheet and strip products abroad. This erroneous interpretation of item 806.30, in itself, provides a significant loophole to foreign brass producers who are attempting to lower the duties owed to Customs upon importation. Foreign producers may purchase their raw materials (scrap) in the United States, manufacture copper and copper-alloy products abroad from the scrap, and pay import duties only on the value added during the overseas manufacturing stage -- a significant duty-savings to the foreign manufacturer.

By permitting partial duty-free treatment to scrap-based brass product imports, and thus encouraging use of 806.30 as a means of reducing customs duties, the U.S. government is effectively subsidizing foreign brass producers to the disadvantage of the U.S. brass companies. This action is, therefore, negating to a certain degree the success the Copper and Brass Fabricators Council has achieved in obtaining antidumping duties against major foreign unfair trading nations.

II. BRASS IMPORTS UNDER ITEM 806.30 ARE INCREASING

As a result of Customs' current interpretation of item 806.30, brass imports under this tariff provision are significantly increasing. As Exhibit 2 reveals, while total 806.30 imports of copper and copper-alloy products monitored by the Council in 1987 were roughly 3.7 million pounds, in 1988 imports of these products under item 806.30 surged to over 13 million pounds. Even more notably, while total 806.30 imports of copper and copper-alloy products through the first eight months of 1988 were 7 million pounds, that level of imports of such products was almost equalled by imports in the last four months of the year (over 6 million pounds). The ability and willingness of foreign producers to significantly increase item 806.30 imports in such a short time period evidences an increasing intent on the part of foreign producers to use this provision to escape customs duties where possible.

Moreover, brass imports from West Germany accounted for the largest volume of 806.30 imports in both years. Since the original purpose of item 806.30 was to permit U.S. companies to ship metal across the border to Canada in times of emergency for performance of an intermediate manufacturing step and then return to the United States (99 Cong. Rec. 8681 (1953)), it is clear that the legislative intent in adopting this statutory provision is not being accomplished by the current Customs' interpretation of this provision.

The Council estimates that in 1987 roughly 60 percent of item 806.30 copper and copper-alloy imports were being produced from exported U.S. scrap and that in 1988 an even greater percentage of 806.30 imports were made from U.S. scrap. The increasing use of exported U.S. scrap to manufacture imported brass products is confirmed by the specific reference to the use of exported U.S. scrap in 806.30 imports contained in the letter submitted to the Commerce Department by William Prym-Werke. See section II, supra. Given this recent, significant increase in item 806.30 imports of copper and copper-alloy products, most of which are made from exported U.S. scrap, adoption of H.R. 1700 is critical to prevent continued duty evasion by foreign producers of copper and copper-alloy products.

III. ACTIONS BY THE EUROPEAN COMMUNITY EVIDENCE THE IMPORTANCE OF SCRAP-BASED IMPORTS

On November 14, 1988, the Copper and Brass Fabricators Council filed a petition for relief under section 301 of the Trade Act of 1974, as amended, with the U.S. Trade Representative. The petition alleged that certain countries, including the European Community nations ("EC"), variously prevent or limit the exportation of copper scrap, zinc scrap and copper alloy scrap, in violation of the General Agreement on Tariffs and Trade. These export restrictions deflect third-country demand for scrap from the EC to the United States and cause the U.S. scrap supply to be very tight. These restrictions also curtail U.S. producers' access to supplies of scrap overseas. In response to this petition, the U.S. Trade Representative initiated a section 301 investigation of the EC and is currently examining these restrictive practices and their impact on U.S. brass mills.

These trade restrictive practices by the EC in the area of exported scrap are an important consideration in conjunction with H.R. 1700. Specifically, the restrictions the EC has imposed on exporting certain scrap products demonstrate that the Europeans appreciate the value of scrap as a raw material input for copper and copper-alloy products. Scrap constitutes a substantial portion of the value of many copper-alloy products, and this scrap-restrictive regime ensures that EC producers will benefit from a protected scrap market.

The increasing use of item 806.30 for copper and copper-alloy product imports by various EC producers, including in particular West German producers, is a means of dovetailing these efforts to obtain a competitive advantage vis-a-vis U.S. producers in the U.S. market. While E.C. scrap exports are basically not permitted, EC producers may either make use of a protected EC market for their scrap purchases or may obtain the duty-free benefits accorded under item 806.30 for their purchases of U.S. scrap. In either event, the EC producers are operating at an advantage as compared with the U.S. brass mills, which have no protected market for scrap or brass and which must compete with foreign semi-manufactured products subject to lower duties. Adoption of H.R. 1700 would be a means of closing one loophole currently enjoyed by foreign producers in this area.

IV. CONCLUSION

In sum, the Copper and Brass Fabricators Council strongly supports H.R. 1700 as a means of closing a loophole that has become increasingly popular among foreign producers of copper and brass products. The Council worked hard to successfully prove that the major foreign exporters of brass sheet and strip are selling their product at less than fair value in the United States and to have antidumping duties imposed on these products. It is unfair now to permit foreign producers to partially escape regular customs duties by the use of 806.30 for scrap-based brass imports.

Moreover, the legislative intent underlying the enactment of this statutory provision never contemplated the overly broad application of this provision now adopted by the Customs Service. As noted above, this statutory provision was originally enacted as a means of assisting U.S. metal manufacturers who, in times of emergency, needed to ship a partially manufactured metal product across the Canadian border for performance of an intermediate manufacturing step and then return to the U.S. producer for final manufacturing. 99 Cong. Rec. 8681 (1953).

From this limited purpose has come the overly broad interpretation now adopted by the Customs Service such that foreign metal producers purchase U.S. scrap and manufacture it abroad into finished metal products which they then sell in competition with U.S. producers — and receive preferential duty treatment on such imports. The continued application of Customs' erroneous interpretation will only serve to encourage further attempted evasion of customs duties and possibly antidumping duties as well by foreign brass producers now subject to antidumping orders.

The current Customs' interpretation of item 806.30 as applicable to scrap-based metal imports merely encourages foreign rather than U.S. metal production and effectively subsidizes foreign producers to the detriment of U.S. copper and brass mills. Because the Council has already established that foreign brass sheet and strip producers are selling their product on an unfair basis and causing injury to U.S. producers of like products, it is particularly anomalous to subsidize these producers to the detriment of their U.S. counterparts. Accordingly, the Copper and Brass Fabricators Council urges the adoption of H.R. 1700 to prevent further evasion of U.S. customs duties.

Respectfully submitted,

David A. Hartquist

DAVID A. HARTQUIST
JEFFREY S. BECKINGTON
KATHLEEN WEAVER CANNON
COLLIER, SHANNON, RILL & SCOTT
1055 Thomas Jefferson Street
Suite 300
Washington, D.C. 20007

(202) 342-8400

May 31, 1989

COPPER & BRASS FABRICATORS COUNCIL, INC.

MEMBERSHIP

AMERICAN BRASS
70 Sayre St., P.O. Box 981
Buffalo, NY 14240
716/879-6700

CERRO COPPER PRODUCTS COMPANY
P.O. Box 681
East St. Louis, IL 62202
618/337-6000

CERRO METAL PRODUCTS
P.O. Box 388
Bellefonte, PA 16823
814/355-6200

CHASE BRASS & COPPER COMPANY
P.O. Box 39548
Solon, OH 44139
216/349-0200

CHICAGO EXTRUDED METALS CO.
1601 So. 54th Ave.
Cicero, IL 60650
312/656-7900

EXTRUDED METALS
302 Ashfield St.
Belding, MI 48809
616/794-1200

HALSTEAD METAL PRODUCTS INC.
100 So. Elm St., Suite 400
Greensboro, NC 27401
919/272-1966

HEYCO METALS INC.
Stinson Dr., RD 9160
Reading, PA 19605
215/926-4134

HUSSEY COPPER LTD.
Leetsdale, PA 15056
412/857-4200

THE MILLER COMPANY
99 Center St.
Meriden, CT 06450
203/235-4474

MUELLER BRASS COMPANY
1925 Lapeer Ave.
Port Huron, MI 48060
313/987-4000

NEW ENGLAND BRASS COMPANY
16 Park Street
Taunton, MA 02780
508/824-5821

OLIN CORPORATION-BRASS GROUP
East Alton, IL 62024
618/258-2000

PLUME & ATWOOD
235 E. Main St.
Thomaston, CT 06787
203/283-4331

REVERE COPPER PRODUCTS, INC.
P.O. Box 300
Rome, NY 13440
315/338-2022

ULLRICH COPPER, INC.
2 Mark Rd.
Kenilworth, NJ 07033
201/688-9260

WATERBURY ROLLING MILLS, INC.
P.O. Box 550
Waterbury, CT 06720
203/754-0151

EXHIBIT 2

COOPER & BRASS
806.30 Shipments by Country
TSUSA Nos 612. & 613.
(Quantity)
1987

	COUNTRY					
TUSUA	Canada	FR Germ	U King	Mexico	Portugal	TOTAL
612.3120	5,479					5,479
612.3982		3,058,919				3,058,919
612.4430	23,580					23,580
612.4510	2,542					2,542
612.4525		5,150				5,150
612.6000	2,562		31,823			34,385
612.7260	173,705					173,705
613.0290	4,342					4,342
613.1000	94,373					94,373
613.1500				3,345		3,345
613.1800	336,563				113	336,676
TOTAL	643,146	3,064,069	31,823	3,345	113	3,742,496

COOPER & BRASS
806.30 Shipments by Country
TSUSA Nos 612. & 613.
(Quantity)
1988

	COUNTRY				
TUSUA	Canada	FR Germ	Japan	Mexico	TOTAL
612.3160	445,358	0	343,473	0	788,831
612.3960	169,451	254,965	0	0	424,416
612.3982	64,461	7,630,252	0	0	7,694,713
612.3986	555,626	0	0	0	555,626
612.4100	3,537,748	0	0	0	3,537,748
612.4430	17,241	0	0	0	17,241
613.1000	102,473	0	0	0	102,473
613.1500	0	0	0	6,884	6,884
613.1800	211,305	0	0	0	211,305
TOTAL	5,103,663	7,885,217	343,473	6,884	13,339,237

COMMENTS OF THE FERROUS SCRAP CONSUMERS COALITION IN SUPPORT OF H.R. 1700

These comments are submitted on behalf of the Ferrous Scrap Consumers Coalition, a trade association comprised of steel companies and iron foundries that depend on ferrous scrap for their raw material needs and workers in those companies. The Coalition submits these comments in support of H.R. 1700, a bill to amend the Harmonized Tariff Schedules of the United States (HTS) to exclude metallic scrap that is exported from the United States, fabricated abroad, and re-exported to the United States in the form of metal plate, sheet, strip, and other fabricated products from the scope of HTS No. 9802.00.60 (formerly Tariff Schedules of the United States item number 806.30).

As Congressman Murphy indicated in sponsoring this bill, the current extension of partial duty-free treatment to scrap-based metal product imports is directly contrary to the legislative intent underlying the enactment of this statutory provision. When this provision was originally proposed in the 1950s, Congressman Victor A. Knox stated that the purpose of the provision was to facilitate the processing of U.S. metal articles in Canada during emergencies at U.S. plants. As envisioned, the provision would assist U.S. metal producers in times of crisis.

As this provision has been interpreted by the Customs Service, however, rather than assisting U.S. metals manufacturers this provision is now being used to bypass all metal production in the United States, with preferential duty treatment for such actions. Specifically, if a foreign metal producer purchases scrap as its raw material in the United States, ships the scrap overseas to its manufacturing facility where it fabricates the scrap into a metal product and returns it to the United States, the foreign producer is required to pay duties only on the value added in the overseas operation.

This provision in application, therefore, encourages the exportation of U.S. scrap and discourages the production of metal products in the United States. The Ferrous Scrap Consumers Coalition submits that both of these results conflict with the purpose of the bill and present problems for U.S. scrap consumers as well as U.S. metals producers.

Ferrous scrap is often a scarce resource in the United States. When domestic iron and steel production is at a high level, ferrous scrap supplies become tight. If this high level of domestic demand is complicated by a high level of foreign demand, scrap supplies become even tighter causing significant increases in scrap prices. The interpretation of item 806.30 by the Customs Service encourages foreign producers to obtain scrap in the United States, thus decreasing the available supply of scrap in the United States and increasing U.S scrap prices.

This provision also operates to the detriment of U.S. metals producers. Rather than encouraging U.S. production of metal products, with simply an intermediate manufacturing step performed abroad as Congress originally stated, Customs' interpretation of item 806.30 as extended to scrap-based imports encourages foreign production of metal products from U.S. raw materials. Domestic metals producers are not only deprived of the opportunity to produce at least some stage of the manufactured product but are forced to compete with finished metal products that have the benefit of partial duty-free treatment.

Moreover, the Ferrous Scrap Consumers Coalition submits that the extension of item 806.30 treatment to scrap-based iron and steel imports is inconsistent with the plain language of the statute itself. The statute requires that a "manufactured" U.S. product be exported and manufactured into another metal product that is then imported. Scrap, however, is a raw material input to a manufactured product and is not, itself, a manufactured product. Scrap is obtained generally from a scrap dealer who merely shreds and bundles the metal but does not "manufacture" it as required by the statute.

Further, there is serious doubt that anyone could verify whether the scrap purchased from a scrap dealer was originally of U.S. origin as the statute requires. In practical terms, both U.S. and foreign scrap metal may well be mixed together so that the original source of the scrap is impossible to determine.

The Coalition's concern with this overly broad interpretation of item 806.30 is not an abstract one. Recently, item 806.30 imports have increased significantly, and a substantial portion of these imports involve products made from U.S. scrap. It is estimated that iron and steel products made from exported U.S. scrap account for roughly 75 percent of item 806.30 steel imports of steel shapes and plates and roughly 30 percent of 806.30 imports of steel sheet and strip. According to the International Trade Commission's most recent report, imports of iron and steel products under item 806.30 have increased more than 300 percent between 1984 and 1987, even though total steel imports declined over this period. Imports Under Items 806.30 and 807.00 of the Tariff Schedules of the United States, 1984-1987, USITC Pub. 2144 at 6-11 (Dec. 1988).

This increase in item 806.30 imports also has significant ramifications for total U.S. revenue. As a result of the use of item 806.30, steel imports in 1987 alone avoided roughly $5 million in customs duties. Id. The total duty-free content of imports entered under item 806.30 in 1987 was $416 million — a not insignificant loss of revenue at a time of a severe trade deficit.

The application of item 806.30 to scrap-based imports, therefore, is effectively subsidizing foreign metal producers to the detriment of U.S. scrap consumers, U.S. metal producers, and the U.S. Treasury. When the original purpose of the statutory provision is considered, this erroneous Customs' interpretation of the provision should not be permitted to stand. To correct this situation, the Ferrous Scrap Consumers Coalition urges the adoption of H.R. 1700.

STATEMENT BY THE INSTITUTE OF SCRAP RECYCLING INDUSTRIES, INC. ON H.R. 1700

The Institute of Scrap Recycling Industries, Inc. ("ISRI"), headquartered in Washington, D.C., represents U.S. scrap processors and recyclers (See Exhibit 1, ISRI Brochure). ISRI, which was formed in 1987 through a merger of two groups, the Institute of Scrap Iron and Steel and the National Association of Recycling Industries, has more than 1800 companies as members. Member companies are processors, brokers and consumers of scrap commodities - including ferrous and nonferrous metals, paper, glass, textiles and plastics - and suppliers of equipment and services to the industry.

H.R. 1700, introduced by Representative Austin J. Murphy (D-Pennsylvania), and its identical counterpart S. 294, introduced by Senator John Heinz (R-Pennsylvania), would amend the Harmonized Tariff Schedule of the United States to exclude certain waste and scrap metals from a provision regarding the processing and return of metal to the United States. Specifically, the legislation provides that the favorable tariff treatment accorded in subheading 9802.00.60 (old Tariff Schedule of the United States ("TSUS") Item 806.30) -- that metals sent abroad for processing and returned to the United States are subject to duty only on the amount of value added abroad -- would no longer apply to imports containing exported waste or scrap of iron, steel, copper, zinc, or aluminum.

Passage of H.R. 1700 is inadvisable for several reasons: 1) to our knowledge, no compelling rationale exists for singling out scrap from articles covered by 9802.00.60; 2) the bill represents an overly broad solution to what are essentially technical problems, better resolved in the context of ongoing administrative reviews; 3) the bill may violate the United States - Canada Free Trade Agreement; 4) prepared scrap is a product and therefore correctly within the scope of 9802.00.60; and 5) questions persist regarding the economic justification for the legislation.

1. Unjustified Discrimination

No compelling rationale has been provided for excluding scrap metal from the benefits provided by the original TSUS Item 806.30.

Over the years, the scope of 806.30 expanded to include many types of processing operations. There has never been any attempt to limit the scope of 806.30. Now, for the first time, proponents of H.R. 1700 are attempting to exclude a particular metal product from the beneficial tariff treatment. There appears to be no justification for discriminating against the return of metallic scrap advanced in value by processing abroad and subject to further processing in the U.S. upon its return, and disrupting such a longstanding and carefully considered preference regime.

2. Inappropriate Means of Redress

H.R. 1700 is an overly broad solution to what are technical problems involving the enforcement of an antidumping duty order. In Brass Sheet and Strip from the Federal Republic of

Germany (A-428-602), an antidumping case which resulted in the imposition of antidumping duties on imports from Germany, allegations were made by petitioners that respondents may be circumventing the orders against them by employing the following techniques: (1) mergers of two foreign producers with different cash deposit rates and then use of the lower rate on all subsequent entries from either company's facilities; (2) slight changes in alloy composition so as arguably to remove the merchandise from an order's scope; (3) unacknowledged reimbursement of antidumping duties by the foreign producer or exporter to the importer of record; (4) transshipment through third countries not under order and the declaration of those third countries as the country of origin with no attendant antidumping or countervailing duties to be paid; and (5) tolling of metal and calculation of antidumping and countervailing duties on the fabrication value alone of the imported finished product. The Commerce Department is currently analyzing these allegations which the legislation attempts to resolve in a much broader fashion. The technical issues involved in this matter are better left to the ongoing administrative review at the Department of Commerce, rather than amending a long-established preference system.

A recent decision by the United States Customs Service ("Customs") appears to strengthen this interpretation. On November 14, 1986, a group of companies, including some of the proponents of this amendment, filed a petition for reclassification of stainless steel products that are produced from exported U.S. scrap, and imported under old Item 806.30. Customs denied the petition on March 14, 1988. File No. 554750. Petitioners now reportedly intend to challenge the validity of each shipment at the port of entry. If such protests are denied, as expected, petitioners reportedly will appeal to the Court of International Trade.

The Court of International Trade is a more appropriate forum for resolving these issues. During the proceedings, all parties will have ample opportunity to submit evidence, analyze applicable legal issues, and review case precedents. This certainly is the preferable solution, in light of this longstanding provision and application of the concept to many products in addition to metallic scrap.

3. Violation of the United States - Canada Free Trade Agreement

By eliminating scrap metal from eligibility for receiving favorable tariff treatment under the Harmonized System, H.R. 1700 may violate the United States - Canada Free Trade Agreement. Specifically, in Annex 401.2-B of the Agreement, Item 9802.00.60 is included among the items listed as bound by the Agreement. By passing H.R. 1700, Congress would impair the agreement and create financial obligations to be met by the U.S. in favor of Canadian interests other than metallic scrap.

Further, the damage to Canada would not be merely theoretical. In a draft of its information report on H.R.1700, the International Trade Commission ("ITC") estimates that the bill would result in a revenue increase of $1.5 to 2.0 million annually. In 1987 -- the most recent year for which figures are available -- Canadian imports accounted for fifty-eight percent of total imports under old Item 806.30. Assuming that the situation has not changed dramatically in the last year and one half, Canada is the foreign country that would be most affected by the legislation. Canadian entities facing a duty increase of $750,000.00 to 1.0 million annually could be expected to invoke

U.S. obligations under the Free Trade Agreement. The significance of the Agreement to other U.S. exporters is unknown at this time but could be important.

4. Proper Coverage by 9802.00.60

Scrap originates from a variety of sources, including obsolete articles of metal and clippings, trimmings and cuttings of metal manufacturing and fabrication (See Exhibit 1-ISRI Brochure). These are recut by U.S.-based scrap processors and subjected to methods of preparation which include cutting, grating, sorting and densificastion to derive material identified by completely different names.

Imported prepared scrap metal currently satisfies the original criteria for 806.30 entries: prepared scrap metal is manufactured or subjected to a process of manufacture in the United States; there is further processing abroad; and there is further processing in the United States. In reference to the first criterion -- domestic manufacturing -- U.S. courts have held that using mechanical means to alter the chemistry, density, size and metallurgy of (or remove containants from) metallic scrap in its unprocessed form to produce specification grades of prepared scrap with new generic names traded on the basis of published prices constitutes manufacturing. See Commonwealth v. Sitkin's Junk Co., 412 Pa. 132, 194 A.2d 199 (1963); H. Samuels Co. v. Wisconsin Department of Revenue, 70 Wis.2d 1076, 236 N.W.2d 250 (1975).

5. Economic Justification

It is clear using even elementary analysis that H.R. 1700 is not justified legally or economically and is not in the best interest of the United States. Moreover, questions remain about the extent of injury, if any, experienced by domestic companies. Metal articles for which Item 9802.00.60 treatment applies constitute only a small percentage of the total volume of those products entering the U.S. In fact, an examination of relevant trade statistics for 1986-1988 discloses no entries of zinc products under the preference item. For all other metals affected by H.R. 1700, Item 806.30 applied to less than six percent of such imported metals in 1987.

Conclusion

To date, the record shows no realistic explanation of, or rationale for, H.R. 1700. If there are legitimate reasons for H.R. 1700 not yet evident, ISRI is prepared to undertake immediate discussions with interested parties, including representatives of Executive Branch agencies, to address those issues without the serious, potentially disruptive trade effects related to H.R. 1700.

[THE ATTACHMENTS TO THIS STATEMENT ARE BEING RETAINED IN THE COMMITTEE FILES.]

AUSTIN J. MURPHY
22D DISTRICT, PENNSYLVANIA

COMMITTEES:
EDUCATION AND LABOR
LABOR STANDARDS, CHAIRMAN
LABOR-MANAGEMENT RELATIONS
INTERIOR AND INSULAR AFFAIRS
ENERGY AND ENVIRONMENT
MINING AND NATURAL RESOURCES
NATIONAL PARKS AND PUBLIC LANDS

Congress of the United States
House of Representatives
2210 Rayburn Building
Washington, DC 20515
(202) 225-4665

DISTRICT OFFICES
ALLEGHENY COUNTY
(412) 221-2129
BEAVER COUNTY
1801C BROADHEAD ROAD
ALIQUIPPA, PA 15001
(412) 375-1159
FAYETTE COUNTY
45-51 EAST PENN STREET
UNIONTOWN, PA 15401
(412) 438-1490
GREENE COUNTY
COUNTY OFFICE BLDG.
93 HIGH STREET
WAYNESBURG, PA 15370
(412) 627-7611
WASHINGTON COUNTY
96 NORTH MAIN STREET
WASHINGTON, PA 15301
(412) 228-2777
306 FALLOWFIELD AVENUE
CHARLEROI, PA 15022
(412) 489-4217

May 30, 1989

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
1136 Longworth HOB
Washington, DC 20515

Dear Mr. Chairman:

I am writing to urge you to include H.R. 1700 in the miscellaneous tariff bill. H.R. 1700, which I introduced earlier this year, would require metal products manufactured from exported U.S. scrap to be subject to duty upon entering the United States.

This legislation is necessary because the U.S. Customs Service has misconstrued the original intent of Congress and has considered metal products, produced abroad from exported scrap, to be eligible for entry under HTS 9802.00.60 (formerly TSUS No. 806.30). The erroneous classification of such products results in reduced duty payments on imports of metal products to the detriment of U.S. manufacturers. The U.S. government is, therefore, effectively subsidizing foreign metal production by granting partial duty-free treatment to foreign-produced metal products made from U.S. raw materials.

Under Customs' interpretation, waste or scrap metal exported from the United States and manufactured abroad into finished metal products, such as steel plate or sheet, may receive duty-free benefits. Based on this interpretation, importers of metal products have significantly increased HTS 9802.00.60 scrap-based exports to the United States. In 1987, the duty-free content of imports under this tariff classification was $416 million.

During this time of severe trade deficit, the subsidization of foreign producers at the expense of U.S. manufacturers and the U.S. Treasury should not be permitted to continue. I urge you to include H.R. 1700 as part of the miscellaneous tariff and trade bills package, and raise revenue for the United States while restoring the original legislative intent underlying the statute. A copy of my remarks accompanying introduction of this measure during the last Congress is attached for your review.

I appreciate your interest in this matter.

Sincerely,

Austin J. Murphy

AUSTIN J. MURPHY
Member of Congress

Attachment

CUSTOMS SERVICE MISCONSTRUES TARIFF PROVISION 806.30

HON. AUSTIN J. MURPHY

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 3, 1988

Mr. MURPHY. Mr. Speaker, today I am introducing legislation to amend the Tariff Schedules of the United States to exclude metallic scrap that is exported from the United States, fabricated abroad, and re-exported to the United States in the form of metal plate, sheet, strip, and other fabricated products, from the scope of tariff provision 806.30. This amendment to the Tariff Schedules is necessary because the U.S. Customs Service has misconstrued the original intent of the Congress and has considered metal products produced abroad from exported scrap to be eligible for entry under 806.30. The erroneous classification of such products under item 806.30 results in reduced duty payments on imports of metal products to the detriment of U.S. manufacturers.

Item 806.30 of the Tariff Schedules developed from a provision proposed in 1954 by Hon. Victor A. Knox. According to Mr. Knox, the purpose of the provision was to facilitate the processing of United States metal articles in contiguous areas of Canada during breakdowns and other emergencies at nearby U.S. plants. Mr. Knox stressed that his proposal was a limited emergency measure designed to "avoid shutdowns in factories as we have in the past, so that instead of having to send all of the employees home, they will just export this particular product over into the Canadian factory where they have the facilities in order to go ahead with the processing and the factory will continue to operate." (99 Cong. Rec. 8681.) The chairman of the U.S. Customs Committee, testifying in support of passage of this provision, listed as an example of its potential application the exportation of ignots to be made into slabs abroad, preparatory to them being rolled into sheet in American steel mills.

The purpose underlying item 806.30, therefore, was to assist a United States metals producers who needed a limited, intermediary processing stage performed abroard—not to bypass all metal production in the United States by shipping raw materials to other countries for manufacture into finished metal products which are then imported and sold to United States consumers. Customs' extension of the special 806.30 duty treatment to fabricated metal products manufactured from scrap goes well beyond its intended limited application. The result of Customs' interpretation is the antithesis of the purpose sought by the drafters of the provision: rather than praserving United States metal-producing industries, Customs' current application of 806.30 encourages the overseas manufacture and exporation of finished metal products.

Efforts by U.S. stainless steel producers to date to correct Custom's misuse of this special provision have been unavailing. Customs rejected the limited application of 806.30 described in the legislative history, claiming that it had a longstanding practice of granting 806.30 treatment to articles manufactured from scrap. While Customs may have a longstanding practice of classifying such items in this manner, such classification is inconsistent with the plain language of the law as well as the intent of the drafters of the provision.

The requirement of item 806.30 entry are not satisfied where articles manufactured from scrap are involved. Item 806.30 requires that the article exported from the United States be "manufactured in the United States or subjected to a process of manufacture in the United States." Scrap is a raw material input to the production of a final product, not a "manufactured product" itself. Moreover, there is serious doubt that an exporter could demonstrate that scrap is of United States origin, as the law requires. Further, the operations conducted overseas in manufacturing finished flat-rolled products from scrap do not constitute an intermediate processing step, as required by 806.30, but result in the production of finished articles of commerce. For all of these reasons, metal products produced overseas from exported scrap should not be accorded the benefits of 806.30 classification.

The legislation I am proposing would ensure that foreign producers that export fabricated metal products to the United States would not be subsidized by the United States government for using scrap sourced in the United States as a raw material input. This legislation would also ensure that the jobs of American workers and the financial health of American industries are not further jeopardized due to an unreasonable interpretation of item 806.30 by the Customs Service. I urge my colleagues to favorably consider this proposed legislation.

NON-FERROUS METALS PRODUCERS COMMITTEE
1225 NINETEENTH STREET, N.W.
SUITE 210
WASHINGTON, D.C. 20036

Telephone: (202) 466-7720
Telecopier: (202) 466-2710

May 31, 1989

Robert J. Leonard, Esq.
Chief Counsel,
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

The Non-Ferrous Metals Producers Committee (NFMPC) supports passage of H.R. 1700, a bill to amend the Harmonized Tariff Schedule to exclude certain waste and scrap metals from a provision regarding the return of metal to the United States.

The NFMPC is an association of U.S. primary producers of copper, lead, and zinc. NFMPC member companies account for more than one-half of U.S. primary refined copper production, virtually all U.S. primary refined lead production, and a significant share of U.S. production of zinc ores and concentrates.

This letter is submitted in six copies. Please feel free to contact me if you have any questions concerning the NFMPC's position on this matter.

Sincerely yours,

Kenneth R. Button

Kenneth R. Button
Executive Secretary

NFMPCwp3:HR1700:5-30-89:dnq

REYNOLDS METALS COMPANY
6601 W. BROAD STREET • RICHMOND, VIRGINIA 23230-1701
MAILING ADDRESS: P.O. BOX 27003 • RICHMOND, VIRGINIA 23261-7003

LAW DEPARTMENT
Tel.: 804-281-2482

TELEX: 442-7015 REYLAW
TELECOPY: (804)281-3740
CABLE: REYMETCO

May 31, 1989

Robert J. Leonard, Esquire
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth Office Building
Washington, D.C. 20515

Re: HR 1700 - Elimination of Duty Exemption For Claimed U.S. Metal Scrap Portion of Imports

Dear Mr. Leonard:

Reynolds Metals Company, a major integrated U.S. aluminum producer, supports HR 1700 to revise Subheading 9802.00.60 of the Harmonized Tariff Schedule of the United States for the reasons set forth in our previous comments to the U.S. Customs Service, copy attached.

Our principal reasons are as follows:

1. The indisputable practical intention of Congress in enacting Subheading 9802.00.60 was to aid U.S. manufacturing operations by allowing them to meet special circumstances by having part of their normal manufacturing operations performed in a foreign country without incurring duties.

2. The indisputable practical effect of Subheading 9802.00.60, as currently applied, is to competitively disadvantage U.S. manufacturers and to subsidize, at U.S. taxpayers' expense, the elimination of U.S. manufacturing jobs.

3. Establishing with reasonable certainty the U.S. metal scrap content of imports is a practical impossibility, and the exclusion is an invitation to fraud.

4. Continuation of the exclusion as currently applied unnecessarily foregoes much-needed revenue.

The competitive impact in the aluminum industry is significant because:

- the scrap content of can stock exceeds 50%, and
- can stock is by far the largest single component of the U.S. aluminum market and is extremely price competitive.

If we can further assist your evaluation, please contact me.

Respectfully submitted,

John Barry Donohue, Jr.
Senior Attorney

JBDjr:bre

Enclosure

BEFORE THE
UNITED STATES DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

TARIFF CLASSIFICATION OF STEEL PRODUCTS MANUFACTURED FROM U.S. SCRAP

COMMENTS OF REYNOLDS METALS COMPANY

Reynolds Metals Company ("Reynolds"), by counsel, submits these comments on the petition of Allegheny Ludlum Steel Corporation *et al.* for reclassification, pursuant to Section 516 of the Tariff Act of 1930, as amended, of stainless steel products produced from exported U.S. scrap (the "Petition").

Reynolds is a vertically integrated aluminum producer with its principal place of business at 6601 West Broad Street, Richmond, Virginia 23230. Among other things, Reynolds manufactures aluminum sheet and plate. In a setting similar to that presented by the Petition, Japanese aluminum sheet and plate is manufactured using U.S. aluminum scrap input, and then exported to the U.S. Thus, the issues raised by the Petition are of interest and importance to Reynolds.

U.S. aluminum scrap is a significant raw material input for Japanese aluminum sheet, plate and other aluminum products exported to the U.S. In 1986, Item 806.30 of the Tariff Schedules of the United States was applied to more than 213 million pounds of Japanese aluminum exports to the U.S. Exhibit A. The ratio of duty-free value to total value of these aluminum products was 64.2%. In other words, the Japanese paid duty on only about one-third of the value of these exports to the U.S.

The vast majority of Japanese aluminum exports to the U.S. is can stock.[1/] The imported can stock is used by purchasers in the U.S. to manufacture aluminum beverage cans. Since approximately 50% of the raw material input for can stock is scrap, and the U.S. can stock market is fiercely competitive, the duty exemption is competitively significant. Moreover, imports of Japanese can stock have soared in recent years. Evidence has been gathered indicating that this dramatic market penetration has been achieved and maintained by dumping. Suffice it to say, the impact of Item 806.30 cannot be regarded as inconsequential.

Reynolds supports the Petition and in particular notes that application of Item 806.30 to sheet and plate manufactured in foreign countries utilizing U.S. scrap metal:[2/]

1. Does not comport with the fundamental purpose of Item 806.30 to aid manufacturing operations in the U.S. by allowing them to meet special circumstances by having

---

[1/] Reynolds became aware of the Petition only within the past few days; consequently, it has not been possible to assemble and reconcile data in full detail.

[2/] There is one possible qualification to this support. No "further processing" requirement should be applied where a U.S. manufacturer has the last stage of a normal manufacturing operation performed in a foreign country. Application of a "further processing" in the U.S. requirement in such a setting would defeat the basic purpose of the provision. That specific situation is, of course, not presented by the Petition.

part of their normal manufacturing operations performed in a foreign country without incurring duties for the activities of the U.S. operations;

2. Violates the clear requirement of Item 806.30 that the products have already been the subject of substantial manufacturing prior to export from the U.S.; and
3. Unnecessarily foregoes significant revenue at a time when the federal government is beset by massive budget deficits.

It is most troubling that a provision intended to aid U.S. manufacturers has been stood on its head and converted into an additional weapon for foreign competitors at a time when U.S. manufacturers face the gravest threats in their history. In practical terms, conferring the benefits of Item 806.30 on foreign sheet and plate manufactured from U.S. scrap metal amounts to taking money that would benefit American taxpayers and giving it to foreigners to help them eliminate American manufacturing jobs.

For the foregoing reasons, the Petition should be granted.

Respectfully submitted,

John Barry Donohue, Jr.
Attorney for
Reynolds Metals Company
6601 West Broad Street
Richmond, Virginia 23230
804-281-2482

Dated: June 29, 1987

EXHIBIT A

INFORMATION RECEIVED FROM BUREAU OF CENSUS

Re: Imports in 1986 from Japan under 806.30

Description	TSUS	Quantity (pounds)	Value of U. S. Product	Dutiable Value	Total Value	Number of Shipments
PLATE	618.2550	184,441	$ 100,569	$ 81,047	$ 181,616	7
SHEET IN COILS*	618.2560	123,900,821	80,091,568	43,793,621	123,885,189	253
OTHER	618.2563	86,766,733	54,894,350	31,589,539	86,483,889	216
OTHER	618.2580	2,680,723	1,704,543	914,478	2,619,021	20
TOTALS		213,532,718	$136,791,030	$76,378,685	$213,169,715	496

*Unpainted over .008, but not over .017" in thickness and over 10" in width.

Reynolds Note:

Average per Pound based on Totals			$ 0.64	$ 0.36	$ 1.00

H.R. 1715

To suspend temporarily the duty on pigment red 178.

BASF Corporation

BASF

May 19, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
US House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons notice of May 3, 1989, I am writing in support of H.R.1715, introduced by Representative Vander Jagt, which provides for the temporary suspension of duty on Pigment Red 178.

BACKGROUND

Pigment Red 178 is used in automotive coatings to provide bright red colors, similar to the popular bright reds found on many European and Japanese cars. Use of this pigment by U.S. auto producers will enhance their competitive position in the domestic market and allow them to produce cars for export that have the same consumer color appeal as foreign produced automobiles.

USES

The primary producers of automotive coatings in the U.S. are AKZO, BASF, DuPont and P.P.S.

COMPETITIVE SITUATION

There is no U.S. production of Pigment Red 178.

Sincerely,

Jason E. Dayan

Jason E. Dayan, PhD.

Eight Campus Drive, Parsippany, New Jersey 07054 (201) 397-2700 Telex: 988-036 Telecopier: (201) 397-2737

SUN CHEMICAL CORPORATION
4605 Este Ave.
Cincinnati, OHIO 45232
Telephone: (513) 681-5950
Telex: (513) 6842012
Fax: (513) 641-3269

FOR THE REC
FULL COMMITTE

May 26, 1989

Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515
ATTN: HONORABLE ROBERT J. LEONARD

Dear Mr. Leonard:

This letter is written in opposition to HR1715, a bill to temporarily suspend the duty on Pigment Red 178.

Sun Chemical has invested in plant, equipment and technical work to manufacture Pigment Red 178 here in the United States. We plan to be in production of Pigment Red 178 by June (CONFIDENTIAL) **of 1990. Granting temporary duty suspension to imported Pigment Red 178 would give us an economic hardship in our efforts to establish production of this pigment in the United States.**

The primary applications for this pigment are coatings (paint) and plastics. The Formulator of color shades at the coatings or plastics company has his choice of organic pigment colors and shades to blend to make his color. These pigments are not chemically the same but have similar color shades and properties. Attached is a listing from the USITC report on USA produced red pigments that could compete with Pigment Red 178.

By granting duty suspension, the imported pigment would have an economic advantage over domestic products competing for the same business. By this testimony, I urge you to reject HR1715.

Sincerely,

Steve Schmidt

Steve Schmidt
Manager of Purchases

SJS/kc

cc: Congressman Bill Gradison
550 Main Street
Cincinnati, OH 45202

Mr. Leo Webb
USITC
500 E. Street SW
Suite 404
Washington, D.C. 20436

Ms. Barbara Steinbock
Deputy to the Director
Office of Industrial Trade
Room 2800A
U.S. Department of Commerce
14th and Constitution
Washington, D.C. 20230

[THE ATTACHMENT TO THIS LETTER IS BEING RETAINED IN THE COMMITTEE FILES.]

H.R. 1716

To suspend temporarily the duty on DEMAP.

BASF Corporation

BASF

May 19, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
US House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons notice of May 3, 1989, I am writing in support of H.R.1716, introduced by Representative Vander Jagt, which provides for the temporary suspension of duty on Diethyl Meta Amino Phenol, also known as DEMAP.

BACKGROUND

Diethyl meta amino phenol (DEMAP) is a chemical used as an intermediate for dyes, printing inks, and coumarin based flourescent whitening agents. There are no current domestic companies who produce this material for sale in the quality required for these uses. The last reported producers in the 1970's were duPont and the Linden, NJ plant of GAF. Manufacture of a crude form of DEMAP is being discontinued at American Cyanamid in 1989 as it is leaving the dye business. Current sources are from West Germany and Japan. Total imports of DEMAP in 1983 were indicated to be 374K pounds in USITC Publication 1548.

USES

DEMAP is used extensively in manufacture of Basic Blue 3 which is a dye primarily used for coloring acrylic and modified basic polyester fibers primarily for apparel use, where it competes against imported goods.

It is also used for production of Basic Violet 10, which is used for tinting of newsprint for paper use, coloring of pesticide treated seeds, and as a microbial agent in poultry feed.

A major use for DEMAP is in production of coumarin whitening agents used for specialty brighteners, which also compete against imported materials.

Sincerely,

Jason E. Dayan

Jason E. Dayan, PhD.

HD
HILTON DAVIS CO.
2235 Langdon Farm Road
Cincinnati, Ohio 45237
Telephone: 513-841-4000
Telex: 684-2088

May 22, 1989

Robert J. Leonard
Chief Counsel, Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longsworth House Office Building
Washington, DC 20515

Dear Mr. Leonard,

We would like to state our opposition to the duty suspension bill regarding DEMAP, H.R. 1716 by Vander Jagt (R-MI).

I am the president of Hilton Davis Co., a medium sized chemical manufacturer, located in Cincinnati, Ohio. We employ approximately 500 people. We are privately held and American owned.

We manufacturer DEMAP at our Cincinnati facility and offer this material for sale. A duty suspension would impact our competitiveness. Additionally, and far more significantly, both countries that would export their DEMAP to the U.S. duty free impose duties on our domestic DEMAP when exported to their country.

We respectfully request your consideration in this matter.

Sincerely,

Kenneth H Wilkinson
Kenneth H. Wilkinson
President

k37

HY-TEX MARKETING INC.
P.O. Box 2056
Beaufort, South Carolina 29901
(803) 525-0057

Research & Development
P.O. Box 337
Green Pond, SC 29446
(803) 844-8208

May 25, 1989

Mr. Robert J. Leonard, Chief Counsel
Subcommittee on Trade
Committee on Ways & Means
U. S. House of Representatives
1002 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

We would like to go on record as objecting to HR-1716, to suspend temporarily the duty on DEMAP, as this will be an economic hardship in the development of new business. We have produced commercial quantities of this product in 1989.

Your assistance will be most appreciated.

Sincerely,

A. G. Heinel

A. G. Heinel sk
President

AGH/sk
cc: Arthur Ravenel, House of Representatives
Dr. Donald J. Gale, Hy-Tex
Steve Schmidt, Sun Chemical

FEDERAL EXPRESS

"Innovative Marketing"

H.R. 1717

To suspend temporarily the duty on isoindolenine red pigment.

BASF Corporation

BASF

Colorants

May 19, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
US House of Representatives
Room 1102, Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons notice of May 3, 1989, I am writing in support of H.R. 1717, introduced by Representative Vander Jagt, which provides for the temporary suspension of duty on Isoindolenine Red Pigment.

BACKGROUND

Isoindolenine Red Pigment is used as a replacement for molybdenum reds which, as a metal poses some potential environmental risks.

USES

Isoindolenine Red Pigment is preferred for coating trucks sold in to the European market. Use of this pigment could help U.S. truck (and car) manufacturers compete in the European truck market. The primary producers of coatings in the U.S. are AKZO, duPont and P.P.G.

COMPETITIVE SITUATION

There is no U.S. production of Isoindolenine Red Pigment.

Sincerely,

Jason E. Dayan

Jason E. Dayan, Ph.D.

100 Cherry Hill Road, Parsippany, New Jersey 07054 (201) 316-3000

SUN CHEMICAL CORPORATION
4605 Este Ave.
Cincinnati, OHIO 45232
Telephone: (513) 681-5950
Telex: (513) 6842012
Fax: (513) 641-3269

May 26, 1989

Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515
ATTN: HONORABLE ROBERT J. LEONARD

Dear Mr. Leonard:

This letter is written in opposition to HR1717, a bill to temporarily suspend the duty on Isoindolenine Red Pigment.

The primary applications for this pigment are coatings (paint) and plastics. The Formulator of color shades at the coatings or plastics company has his choice of organic pigment colors and shades to blend to make his color. These pigments are not chemically the same but have similar color shades and properties. Attached is a listing from the USITC report on USA produced red pigments that could compete with Isoindolenine Red Pigment.

By granting duty suspension, the imported pigment would have an economic advantage over domestic products competing for the same business. By this testimony, I urge you to reject HR1717.

Sincerely,

Steve Schmidt

Steve Schmidt
Manager of Purchases

SJS/kc

cc: Congressman Bill Gradison
550 Main Street
Cincinnati, OH 45202

Mr. Leo Webb
USITC
500 E. Street SW
Suite 404
Washington, D.C. 20436

Ms. Barbara Steinbock
Deputy to the Director
Office of Industrial Trade
Room 2800A
U.S. Department of Commerce
14th and Constitution
Washington, D.C. 20230

[THE ATTACHMENT TO THIS LETTER IS BEING RETAINED IN THE COMMITTEE FILES.]

H.R. 1718

To suspend temporarily the duty on pigment red 149 dry and pigment red 149 presscake.

BASF Corporation

BASF

May 19, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
US House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons notice of May 3, 1989, I am writing in support of H.R.1718, introduced by Representative Vander Jagt, which provides for the temporary suspension of duty on Pigment Red 149 Dry and Pigment Red 149 Presscake.

BACKGROUND

Pigment Red 149 is used for coloring synthetic fibers and certain engineering plastics. It offers significant environmental benefits as a replacement for cadmium-based pigments.

USES

U.S. producers of nylon fiber require this type of pigment in order to compete on a world-basis with other non-U.S. producers. Pigment Red 149 is also used for coloring ABS (acrylonitrile, butadiene, styrene) resins.

All Pigment Red 149 Dry and Presscake is imported from European Economic Community countries. There is no U.S. production of this material.

Sincerely,

Jason E. Dayan

Jason E. Dayan, PhD.

Eight Campus Drive, Parsippany, New Jersey 07054 (201) 397-2700 Telex: 988-036 Telecopier: (201) 397-2737

SUN CHEMICAL CORPORATION
4605 Este Ave.
Cincinnati, OHIO 45232
Telephone: (513) 681-5950
Telex: (513) 6842012
Fax: (513) 641-3269

May 26, 1989

Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515
ATTN: HONORABLE ROBERT J. LEONARD

Dear Mr. Leonard:

This letter is written in opposition to HR1718, a bill to temporarily suspend the duty on Pigment Red 149 and Pigment Red 149 P/C.

Sun Chemical has invested in plant, equipment and technical work to manufacture Pigment Red 149 and Pigment Red 149 P/C here in the United States. We plan to be in production of Pigment Red 149 and Pigment Red 149 P/C by December (CONFIDENTIAL) of 1989. Granting temporary duty suspension to imported Pigment Red 149 and Pigment Red 149 P/C would give us an economic hardship in our efforts to establish production of this pigment in the United States.

The primary applications for this pigment are coatings (paint) and plastics. The Formulator of color shades at the coatings or plastics company has his choice of organic pigment colors and shades to blend to make his color. These pigments are not chemically the same but have similar color shades and properties. Attached is a listing from the USITC report on USA produced red pigments that could compete with Pigment Red 149 and Pigment Red 149 P/C.

By granting duty suspension, the imported pigment would have an economic advantage over domestic products competing for the same business. By this testimony, I urge you to reject HR1718.

Sincerely,

Steve Schmidt

Steve Schmidt
Manager of Purchases

SJS/kc

cc: Congressman Bill Gradison
550 Main Street
Cincinnati, OH 45202

Mr. Leo Webb
USITC
500 E. Street SW
Suite 404
Washington, D.C. 20436

Ms. Barbara Steinbock
Deputy to the Director
Office of Industrial Trade
Room 2800A
U.S. Department of Commerce
14th and Constitution
Washington, D.C. 20230

H.R. 1719

To suspend temporarily the duty on mesalamine.

WRITTEN STATEMENT
ON BEHALF OF
MOBAY CORPORATION
CONCERNING
H.R. 1719

BY

PAUL G. GEMEINHARDT

DIRECTOR, COMMUNICATIONS & ADVOCACY FOR CHEMICAL INDUSTRY ISSUES

STATEMENT

Mobay Corporation is a member of the Bayer USA, Inc. group whose parent company is Bayer AG of Leverkusen, West Germany. From headquarters in Pittsburgh, PA, Mobay oversees major manufacturing plant operations in Maryland, Missouri, South Carolina, Texas and West Virginia. Since the company's formation in the early 1950s, Mobay has become a diversified manufacturer and marketer of chemical intermediate products and polymeric (plastic) resins.

Although most of the products that are marketed in the United States are manufactured in this country, we do import some chemical products when the size of the demand for the products cannot justify domestic production and when the products are not available in the U.S. One product fitting this description is mesalamine, also known as 5-amino salicylic acid.

Mobay imports a highly refined grade of mesalamine from Bayer AG in Germany and distributes it directly in the American market. The chemical, as imported, fulfills a critical need in the health-care field for people suffering from ulcerative colitis. Ulcerative colitis is a long-term or chronic disease that may involve all or just part of the large intestine (large bowel or colon). It is one of the Inflammatory Bowel Diseases, which cause inflammation (reddening and swelling) of the lining of the intestine. Sores or ulcers develop in the lining of the intestine, and changes occur in the type of bowel movements and how often they occur. Severe forms of the disease, involving the upper portions of the colon, are extremely painful and discomforting, usually causing nausea, vomiting and attacks of diarrhea.

For treating this disease, mesalamine forms the active ingredient in products recommended for reducing inflammation. The products are marketed as suspension or retention enemas which deliver the medicine directly to the affected area with few or no problems. This use requires the approval to sell mesalamine of the Food and Drug Administration which was given in January, 1988.

The use of mesalamine in the treatment of acute and chronic colitis is unique. We are not aware of suitable domestic substitutes. Nor are we aware of domestic sources for the high purity grade mesalamine required for this application.

Currently, mesalamine is dutiable at a rate of 3.7 cents per kilo plus 15.6% ad valorem. Waiving this high rate of duty on an already expensive chemical ingredient will greatly benefit those sufferers of this debilitating disease and will help to curb the nation's already high and escalating health-care costs. We urge the Committee to give favorable treatment to this request.

Thank you. If additional information is needed, please call Paul Gemeinhardt (412/777-4875).

DAVE NAGLE
3D DISTRICT, IOWA

214 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-3301

AT LARGE DEMOCRATIC WHIP

COMMITTEES:
AGRICULTURE
SCIENCE, SPACE, AND TECHNOLOGY

Congress of the United States
House of Representatives
Washington, DC 20515

DISTRICT OFFICES:
224 WASHINGTON ST.
WATERLOO, IA 50701
(319) 234-3623
(800) 772-1743

102 S. CLINTON ST.
ROOM 505
IOWA CITY, IA 52240
(319) 351-0789

10 EAST MAIN ST.,
ROOM 100
MARSHALLTOWN, IA 50158
(515) 752-6701

May 12, 1989

Sam Gibbons
Chairman
House Subcommittee on Trade
1136 Longworth HOB
Washington, D.C. 20515

Dear Mr. Chairman:

The bill H.R. 1719, which is now before the House Subcommittee on Trade, would suspend the duty tariff on the chemical compound mesalamine (5-Salicylic Acid).

5-Salicylic Acid, a pharmaceutical used in the treatment of ulcerative colitis in humans, is manufactured by Salsbury Laboratories of Charles City, Iowa. Last year, Salsbury Laboratories made a capital investment of $900,000 in manufacturing equipment for this compound. The suspension of the tariff duty on 5-Salicylic Acid would seriously jeapordize Salsbury Laboratories ability to amoratize their investment. I also understand that Monsanto Corporation of St. Louis, Missouri is capable of manufacturing this compound.

Since this compound is manufactured in the United States, a suspension of duty tariff does not seem necessary. Therefore, I am requesting the Subcommittee on Trade to deny the temporary duty suspension.

I appreciate your time and consideration in this matter. Please contact Riley Grimes of my staff if you have any questions.

Sincerely,

Dave Nagle

Dave Nagle
M.C.

cc: Leo Webb, ITC
Barbara Steinbock, Office of Industrial Trade
Department of Commerce

H.R. 1724

To suspend temporarily the duty on N-methylaniline and m-chloroaniline.

Mobay

Bayer MOBAY

Mobay Corporation
A Bayer USA INC. COMPANY

Mobay Road
Pittsburgh, PA 15205-9741
Telephone: 412/777-2000

May 25, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Gibbons:

I write on behalf of Mobay to give support for temporary duty suspensions on the imported chemical products covered in H.R. 1724, namely, m(meta)-chloroaniline and N-methylaniline.

Neither of these chemicals is manufactured in the United States. Major producers are located in Europe (Germany and United Kingdom) with small quantities being produced in China and India. Mobay imports both chemicals from its parent company, Bayer AG of West Germany, for distribution and sales to U.S. customers.

The combined annual consumption of these two chemical intermediates is about 500 thousand pounds. All of this is used by other chemical processing companies as raw materials in the production of a variety of end-use products serving the domestic agriculture, textile and apparel, and health-care industries. From this, it is easy to see that m-chloroaniline and N-methylaniline are versatile chemical intermediates that form the basis for numerous useful downstream products.

One major use of N-methylaniline is in making methyl centralite, a stabilizer for gun powder. When methyl centralite is mixed in the proper amount with gun powder, a stable explosive results that can be stored safely for extended periods of time.

In summary, the requested duty suspensions will not harm American industry because there are no domestic producers and no available suitable substitutes. As versatile chemical intermediates, they provide necessary raw materials for the manufacture of a variety of downstream products serving several critical domestic industries. Furthermore, waiving the duties on these imported chemicals will help the manufacturers of downstream products to do a better job of competing in end-use markets on this continent and abroad.

We ask the Committee to give favorable treatment to this matter by approving the proposed temporary suspensions of duties.

Thank you.

Sincerely,

Paul Gemeinhardt

P. G. Gemeinhardt
Director, Communications & Advocacy
for Chemical Industry Issues

PGG/bh

H.R. 1726

To suspend temporarily the duty on naphthalic acid anhydride.

Mobay

Bayer MOBAY

Mobay Corporation
A Bayer USA INC. COMPANY

May 25, 1989

COMMITTEE ON
RECEIVED
MAY 25 1989
WAYS AND MEANS

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Gibbons:

This is written on behalf of Mobay to express support for the temporary suspension of duty on naphthalic acid anhydride as covered in H.R. 1726.

We purchase naphthalic acid anhydride from the importing company (Ruetgers-Nease) through our Bushy Park plant at Charleston, SC where it serves as a key raw material in the production of special pigments. All known sources of the chemical are foreign with the principal producer located in West Germany, and smaller producers in China and Japan.

The pigments made from naphthalic acid anhydride constitute a family known in the industry as the perylenes. These pigments when combined with a second group, known as the quinacridones, form the principal colorants in the making of various shades of red, scarlet and maroon paints. Paints compounded with this combination of pigments are unique in being extremely stable to sunlight. As such, the paint products are very important to paint manufacturers who supply the country's vehicular industry. Because of the automotive industry's extremely rigid lightfastness demands combined with overall good physical and chemical properties, paints containing these pigments have no equal and cannot be replaced by substitute products.

Waiving the duty on naphthalic acid anhydride will benefit the domestic manufacturers of automobiles and other vehicles, and the consumer purchasing these products. In addition, the industry will be in a better position to hold or increase domestic market share and compete in the international market.

Based on the above, we urge the Committee to approve the proposed duty suspension on naphthalic acid anhydride.

Thank you.

Sincerely yours,

Paul Gemeinhardt

P. G. Gemeinhardt
Director, Communications & Advocacy
for Chemical Industry Issues

Writer's Direct Dial Number
(412) 777-4875

PGG/bh

H.R. 1728

To suspend temporarily the duty on certain alloyed steel bars.

GENERAL MOTORS STATEMENT

General Motors Corporation would like to express its support of H.R.1728, a bill introduced by Rep. William Ford of Michigan to suspend temporarily the duty on certain alloyed steel bars. This legislation is extremely important to the workers of GM's Delco Products plant in Livonia, Michigan.

Delco Products-Livonia produces parts and components for the automotive industry and currently employs approximately 2,400 people. One of the major product lines of this facility is light/medium duty truck leaf spring assemblies. We believe that existing provisions of U.S. tariff laws have put production of such assemblies in the U.S. at a competitive disadvantage versus Canadian-based leaf spring production. Modifications of the tariff schedules as suggested in H.R. 1728 are needed to create a more equitable environment for domestic leaf spring producers.

As background, leaf springs utilize a specialty bar steel which is capacity-constrained in the U.S (see Attachment I). Currently, only one U.S. supplier has the capacity, capability and willingness to meet Delco's requirements. That supplier, Kentucky Electric, provides about two-thirds of the plant's steel requirements for this product, with the remaining requirements sourced from Canadian suppliers. Unfortunately, this imported specialty steel is subject to a 5.4% duty, whereas automotive parts and components formed from the steel are duty-free from Canada.

Delco Products' primary competitor for the leaf spring business is a Canadian facility which is a wholly owned subsidiary of the Eaton Corporation (see Attachment II). Since Eaton's leaf spring production is in Canada, it pays no duty on the steel used in its leaf spring imports, which qualify as duty-free automotive components under the AutoPact. Delco Products, however, treats and processes the steel in the U.S. (generating additional U.S. employment) and must pay duty on its imported leaf spring bar stock.

Delco Product risks losing substantial leaf spring business to Canadian competitors unless it can maintain its cost competitiveness. Relief from the import duty would help control costs. Alternatively, Delco Products would be required to transfer some or all of its leaf spring operations to Canada, an action that would result in layoffs of up to 733 employes at the Livonia plant.

We should note that, owing to the critical nature of Delco Product's cost problem, the facility cannot afford to wait for relief under the accelerated tariff reduction provisions of the US-Canada Free Trade Agreement.

In summary, Rep. Ford's bill would make Delco Products-Livonia leaf assembly business much more competitive and help save the plant's jobs. The bill, H.R. 1728, would temporarily suspend the duty on certain alloyed steel bars. General Motors supports this legislation, which we believe would put our leaf spring assembly operations on more equal footing with foreign competitors without any negative impact on the U.S. steel industry. We ask your support and assistance in promoting the competitiveness of U.S. production by supporting H.R. 1728.

Attachment I

FLAT AR MILLS WHICH ARE CURRENT PRODUCERS OF 5160 REGULAR, 5160H SPRING FLATS ARE CANDIDATES FOR SAME.

0 Current Suppliers:

1) Slater Steel, Canada	Full service bar producer. Capable of producing total leaf spring requirements to all specifications.
2) Stelco Steel, Canada	History of quality problems (seams and laps) currently restricts purchase to body plates only. Mill cannot physically produce #1 plates—equipment incompatible.
3) Kentucky Electric, U.S.	All available leaf spring capacity is booked. Quality problem precludes purchases of eye plates. (Seams and laps—restrictions under review.)

0 Other Suppliers:

1) North Star Steel, U.S.	Current supplier to other leaf spring manufacturers. Elected not to participate in Delco Products-Livonia business due to restrictive specifications.
2) Bayou Steel Co., U.S.	Does not supply leaf sprig material.
3) Bethlehem Steel, US.	Producer of bars for cold heading to 9" rolling mill and conversion costs double that of other leaf spring steel producers. Not interested in leaf spring business.
4) Inland Steel, US.	Got out of leaf spring business; mill no longer in operation.
5) LTV, U.S.	No interest in producing bars for leaf springs. Their mill is up for sale.
6) US. Steel, U.S.	No longer in flat bar business.

0 Conclusions based on above

1) All of the available capacity for Livonia specified 5160H spring flat product in the U.S. is booked and no future capacity increases are anticipated.

2) Based on the above, it is concluded that removing the duty penalty on 5160H spring flat steel would result in no adverse effect on the domestic steel mills.

Attachment II

LEAF SPRING MANUFACTURING COMPETITIVE SITUATION

0 Delco Products-Livonia employs approximately 733 employes in its Leaf Spring Operation. It produces approximately 11,800 assemblies per day which requires approximately 360 tons of steel. The current pattern of this steel procurement is as follows:

1)	Kentucky Electric	248 Ton
2)	Slater Steel	35 Ton
3)	Stelco Steel	77 Ton

0 Other North American leaf manufacturers

1) Eaton Corporation, Ontario, Canada
2) Detroit Steel Producers, Detroit, Michigan, U.S.
3) Rassini, Piedras-Negras, Mexico
4) Winamac Division, Winamac, Indiana, U.S.

0 Delco Products-Livonia's primary competition is Eaton Corporation which enjoys a competitive advantage in steel procurement over Delco as they purchase Canadian steel direct and ship finished leaf assemblies into the U.S. duty free under the Automotive Trade Act.

0 This competitive advantage, in part, has resulted in Delco recently losing a substantial part of our 1990 volume to Eaton Corporation. This loss of approximately 1300 leaf assemblies per day is estimated to be the equivalent of 80 employes.

0 Future leaf spring business is in jeopardy due, in part, to the duty penalty being absorbed in our costs.

EFFECT OF FREE TRADE AGREEMENT

The duty on all flat bar steel is to be phased out over a ten (10) year period starting in October 1989, and concluding in January 1998. This is untimely in view of our present competitive position.

H.R. 1738

To provide for the temporary suspension of the duty on molten-salt-cooled acrylic acid reactors and their associated parts, accessories, and equipment.

No statements submitted.

H.R. 1739

To extend the existing suspensions of duty on certain benzenoid dye intermediates.

May 31, 1989

WRITTEN TESTIMONY OF CROMPTON & KNOWLES CORPORATION

IN SUPPORT OF H.R. 1739

Crompton & Knowles Corporation is a U.S.-owned company whose principal activity is the manufacture of dyestuffs. The company has plants in Reading, Pennsylvania; Gibraltar, Pennsylvania; Newark, New Jersey; Lowell, North Carolina; and Tertre, Belgium. Our corporate headquarters are located in Stamford, Connecticut.

Crompton & Knowles purchases the imported intermediates listed in H.R. 1739 for use in the manufacture of dyes. Crompton & Knowles sells its dyes to the domestic textile, paint, paper, and food industries. In addition, it sells some of the finished dyes abroad to various foreign industries.

In Section 1765 of the Omnibus Trade and Competitiveness Act of 1988, Congress suspended the duty on certain benzenoid dye intermediates until December 31, 1990. Congress determined that there were no domestic producers of the listed dye intermediates--nor were there any U.S.-manufactured substitutes for these benzenoid intermediates--and that it was in the best interest of the United States to suspend the duties to increase the international competitiveness of the U.S. dye industry.

The conditions which existed when Congress originally suspended the duty remain in place today. Crompton & Knowles still has no choice but to purchase these essential raw materials from foreign sources. Our involuntary reliance on imported benzenoid intermediates has made it difficult for the company to compete against the increasing amount of imported dyestuffs. Today over 50% of the dyes sold in the United States are imported.

Approval of H.R. 1739 will continue to help reduce production costs for all U.S. dye manufacturers and greatly assist the domestic industry's efforts to maintain or increase its U.S. market share. Continued suspension of duties on these chemicals will improve the position of American dye manufacturers to compete against foreign companies with lower raw material, labor, and environmental costs.

Crompton & Knowles Corporation supports the proposed legislation to continue the suspension of duty on certain dye intermediates until December 31, 1994 because there are no U.S. sources for the imported intermediates. Enactment of this legislation will benefit all U.S. dyestuff manufacturers without harming any U.S. industry. Accordingly, Crompton & Knowles strongly urges the Committee to act affirmatively on H.R. 1739.

BILL GRADISON
2D DISTRICT, OHIO

MARGARET TOTTEN
ADMINISTRATIVE ASSISTANT

COMMITTEES:
WAYS AND MEANS
BUDGET

Congreſs of the United States
House of Representatives
Washington, DC 20515

2311 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
TELEPHONE: (202) 225-3164

FEDERAL OFFICE BUILDING
550 MAIN STREET
CINCINNATI, OH 45202
TELEPHONE: (513) 684-2456

May 25, 1989

Mike Hickey
Trade Subcommittee
1102 Longworth

Dear Mike:

I am forwarding to you information about the domestic production of Shaeffer's Salt provided by one of my constituents. Please use this information when making recommendations regarding possible duty suspensions.

Sincerely,

Bill Gradison
Representative in Congress

HILTON DAVIS CO.
2235 Langdon Farm Road
Cincinnati, Ohio 45237
Telephone: 513-841-4000
Telex: 684-2088

DATE: MAY 12 1989
AIDE : ______ REC # 14244
CATS: ______
PARA: ______
COMMENTS: ______

May 3, 1989

The Honorable Bill Gradison
Representative Second District
Room 2311
Rayburn House Office Building
Washington, DC 20515

Dear Bill,

As a basic chemical manufacturer of dye intermediates, I would ask you to introduce a bill that would reinstate the import duty on Schaeffer's Salt* (6-hydroxy-2 Naphthalene sulfonic acid (salt). Schaeffer's salt is used in the manufacture of Food Dyestuffs and is manufactured at our Cincinnati, Ohio plant for both internal use as well as for external sales. The reinstatement of the duty which is scheduled for 12/31/90 should be allowed and not removed from the tariff list. The reinstatement of this duty will allow us to remain competitive not only in our Food Dye area, but also in our sales of this intermediate. We expect sales of Schaeffer's Salt to approach $150,000 in 1989 and $300,000 in 1990.

Schaeffer's Salt is identified in the Congressional Record - House dated April 20, 1988 on page H-1914 by the Tariff's Schedule of the United States (TSUS) number 907.85.

Thank you for your help in resolving this issue.

Sincerely,

Ken

Kenneth H. Wilkinson
President

* Synonyms are: 2-HYDROXY-6-NAPHTHALENESULFONIC ACID
6-HYDROXY-2-NAPHTHALENESULFONIC ACID
beta-NAPHTHOLSULFONIC ACID S
beta-NAPHTHOL-6-SULFONIC ACID
2-NAPHTHOL-6-SULFONIC ACID
2-NAPHTHOL-6-SULFOSAURE (German)
SCHAEFFER'S ACID
SCHAEFFER'S beta-ACID
SCHAEFFER'S beta-NAPHTHOLSULFONIC ACID

k34

COLOR . . . OUR PRIMARY BUSINESS

HD
HILTON DAVIS CO.
2235 Langdon Farm Road
Cincinnati, Ohio 45237

Telephone: 513-841-4000
Telex: 684-2088

May 26, 1989

Robert J. Leonard
Chief Counsel, Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longsworth House Office Building
Washington, DC 20515

Dear Mr. Leonard,

As a basic chemical manufacturer of dye intermediates, I would ask that the portion of HR 1739 pertaining to Schaeffer's Salt* (6-hydroxy-2 Naphthalene sulfonic acid (salt), Harmonized Tariff 9902.29.10 be deleted. Schaeffer's salt is used in the manufacture of Food Dyestuffs and is manufactured at our Cincinnati, Ohio plant for both internal use as well as for external sales. The reinstatement of the duty which is scheduled for 12/31/90 should be allowed. The reinstatement of this duty will allow us to remain competitive not only in our Food Dye area, but also in our sales of this intermediate. We expect sales of Schaeffer's Salt to approach $150,000 in 1989 and $300,000 in 1990.

Thank you for your help in resolving this issue.

Sincerely,

Kenneth H Wilkinson
Kenneth H. Wilkinson
President

* Synonyms are:
2-HYDROXY-6-NAPHTHALENESULFONIC ACID
6-HYDROXY-2-NAPHTHALENESULFONIC ACID
beta-NAPHTHOLSULFONIC ACID S
beta-NAPHTHOL-6-SULFONIC ACID
2-NAPHTHOL-6-SULFONIC ACID
2-NAPHTHOL-6-SULFOSAURE (German)
SCHAEFFER'S ACID
SCHAEFFER'S beta-ACID
SCHAEFFER'S beta-NAPHTHOLSULFONIC ACID

cc: Rep. Richard T. Schulze
Rayborn House Office Bldg. 2369
cc: Rep. Bill Gradison
Rayburn House Office Bldg. 2311

k34

COLOR . . . OUR PRIMARY BUSINESS

H.R. 1740

To extend the temporary suspension of duty on certain textile machines.

STATEMENT OF THE NORTHERN TEXTILE ASSOCIATION IN SUPPORT OF H.R. 1740 A BILL TO EXTEND THE TEMPORARY SUSPENSION OF DUTY ON CERTAIN TEXTILE MACHINES

The Northern Textile Association (NTA) represents manufacturers of wide and narrow elastic fabrics, wool fabric and yarns, felt products, flocked products, luxury fiber products, and various other specialized segments of the textile industry. The majority of NTA members are located in the Northeast although the Association does have members throughout the United States. The Elastic Fabric Manufacturers Council and the Narrow Elastic Manufacturers Association (NEMA) are affiliated divisions of the NTA.

Members of the Northern Textile Association strongly support H.R. 1740 which was introduced during the first session of the 101st Congress by Representative Richard T. Schulze (R-PA). H.R. 1740 would extend the temporary suspension of duty on certain textile machines included in the Harmonized Tariff Schedules of the United States as Items 8445.11.00, 8445.20.00, 8446.10.00, 8446 and 8447.90.10.

The machines covered by this legislation are used in the production of fabrics which have a wide variety of end uses in apparel, medical, industrial, and home furnishings applciations. This equipment is not available from domestic manufacturers and must be purchased from foreign suppliers, located primarily in Europe.

Narrow fabric weaving machines, decorative lace-braiding machines and wool carding and spinning machinery currently enter the United States duty free because of previously enacted duty suspension legislation. However, the duty suspension legislation which is currently in effect is due to expire on December 31, 1990. Northern Textile Association members oppose the imposition of a duty on machinery which is not produced domestically but is vital for efforts to increase productivity and compete in a highly internationalized marketplace.

Many members of the Northern Textile Association have been purchasing machines which would be covered by H.R. 1740 from Western Europe and Japan. These companies regard these purchases as key to their modernization and productivity increasing efforts as well as their attempts to continue as players in an extremely competitive international textile and apparel market.

Enactment of H.R. 1740 will benefit American consumers because domestic customers will have access to higher quality American made fabrics at a lower cost. If the current duty suspension is extended until December 31, 1994, American companies will have an opportunity to continue replacing outdated equipment with new high technology machinery in a cost-effective manner. Access to new equipment without the penalty of a tariff will help to insure that American producers will be more competitive at home and abroad.

In no way would H.R. 1740 have an adverse effect on domestic producers of textile machinery. The products covered by this legislation are manufacturered exclusively by overseas concerns and do not compete with American made textile machinery products.

The Northern Textile Association respectfully urges members of the House Ways and Means Subcommittee on Trade to favorably report H.R. 1740.

H.R. 1749

To suspend temporarily the duty on certain glass bulbs until January 1, 1993.

LAW OFFICES
KOSTANTACOS, TRAUM, REUTERFORS & MCWILLIAMS, P. C.
700 TALCOTT BUILDING
P.O. BOX 14070
ROCKFORD, ILLINOIS 61105-4070
(815) 964-7891

PETER C. KOSTANTACOS
KENNETH W. TRAUM
ROBERT E. REUTERFORS
ROBERT R. McWILLIAMS
CHARLES P. KOSTANTACOS

LAWRENCE R. [illegible]
SANDRA M. BAKER

CHARLES S. THOMAS
1924-1975

May 30, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
U. S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: Duty-Suspension Bill H.R. 1749/Monochrome Glass Bulbs

Dear Mr. Leonard:

Clinton Electronics Corporation ("Clinton") of Rockford,Illinois, tenders this submission as its public comment in support of its duty suspension bill (H.R. 1749) sponsored by Congressman Crane. The aforesaid duty suspension bill has been introduced in the Senate by Senator Alan Dixon as Senate bill S.437.

SUMMARY OF POSITION

Clinton's sole business activity is the manufacture of monochrome cathode-ray tubes (CRT's). H.R. 1749 seeks a temporary suspension of the duty on the import of certain monochrome glass bulbs until January 1, 1993. It is anticipated that the bill may be amended to provide for a suspension of the duty on the import of said glass bulbs until January 1, 1994 as opposed to January 1, 1993. The glass bulbs in question are imported from Taiwan and are classified under TSUS item number 547.3720 (HS 701120.00). The imported items are the primary component in the production of monochrome CRTs by Clinton. The CRTs are utilized in end products such as computer terminals, word processors and various medical electronics applications.

Clinton lost duty-free status under the Generalized System of Preferences ("GSP") on the import of the monochrome glass bulbs on July 1, 1987. Efforts to restore GSP duty-free status on the import of the items were interrupted by Executive action removing all imports from Taiwan from GSP duty-free eligibility.

Clinton has sought a domestic source of supply of the monochrome glass bulbs which it requires but unfortunately no domestic source exists. In order to remain cost competitive in the face of intense foreign competition from countries such as Korea and Japan, Clinton is in need of duty-free status for its imported bulbs.

DESCRIPTION OF THE SUBJECT IMPORTED PRODUCT AND ITS USE BY CLINTON

The monochrome glass bulbs imported by Clinton from Taiwan have a relatively flat panel and an open neck. The glass panel is etched in various manners. Clinton applies an electronic phosphor to the inside panel of the monochrome bulb, seals an electron gun in the neck of the bulb, pulls a vacuum and seals the tube. The tube is then subjected to additional electronic processing, testing and inspections prior to shipping. The stated process is made possible with the use of innovative technology that is unique to the world and proprietary to the company. The processing in the Clinton plant is unique in light of its ability to produce CRTs of varying sizes and qualities without the need for changeover of equipment or interruption of production. Such versatility is necessary to enable Clinton to serve its market.

The monochrome glass bulbs imported by Clinton from Taiwan are produced in quantities with various qualities that are uniquely adapted to the Clinton production process. In order to satisfy the needs of its customers, Clinton has been required to produce CRTs comprised of monochrome glass bulbs having unique and critical characteristics such as size, transmission values and face plate etchings. Clinton production generally requires 31% transmission bulbs and/or etched face plates. The 31% transmission figure means that 31% of the light striking the CRT screen passes through it. This characteristic provides for better readability by enhancing the contrast between bright characters on the screen and the dark background. Etching of the face plates eliminates glare on the CRT screen from surrounding lights.

NO U.S. PRODUCTION OF THE SUBJECT IMPORTED GLASS BULBS

No U.S. producers offer the glass bulbs required by Clinton and have not produced those glass bulbs since 1984. The boom in the color television market in the 1970's drew U.S. producers towards the manufacture of color CRTs which utilized color glass bulbs as opposed to monochrome glass bulbs. Monochrome television CRT production went offshore in the 1970's reinforcing the collapse in U.S. demand for monochrome glass bulbs. The domestic firms which formerly supplied Clinton with its monochrome glass bulbs therefore effectively ceased their production of monochrome glass bulbs required by Clinton.

There is some limited domestic production of highly specialized monochrome CRTs (e.g., for jet fighters) for markets which Clinton does not serve. The glass bulbs utilized in the production of the specialized CRTs are produced domestically but are not suited in any manner to production of the product which Clinton's customers require.

Clinton has therefore been forced to seek alternate sources for its monochrome bulbs which it could utilize in producing monochrome CRTs for its market. The only current viable source for most of the monochrome glass bulbs required by Clinton is located in Taiwan. Clinton would certainly prefer a domestic source with its attendant advantages of reduced transportation costs, quicker delivery and easier ability to resolve production problems. However, despite diligent efforts, Clinton has been unable to find a willing and able domestic source.

Clinton's customers place CRT orders ranging in quantities from a few CRTs to many thousands. Much of Clinton's output of CRTs consists of small lot sizes with characteristics specific to the individual needs of the particular customer. Only Clinton's source in Taiwan has been able to supply the bulbs in lot sizes needed by Clinton.

CLINTON MUST HAVE DUTY-FREE STATUS FOR THE SUBJECT GLASS BULBS IN ORDER TO REMAIN INTERNATIONALLY COMPETITIVE

The international CRT market has become extremely competitive. The intensity of the competition is readily demonstrated by the fact that Clinton is the only remaining domestic producer of monochrome CRTs for the general use, merchant market. Fourteen former U.S. producers for the merchant market have closed their domestic operations completely due to the competitiveness of the market.

The most intense competition faced by Clinton in the international CRT market comes from countries such as Korea and Japan. Producers in those countries have drastically slashed their U.S. prices in efforts to lure Clinton's customers. Such competition has forced Clinton to market its CRTs for alarmingly low average selling prices. Despite Clinton's efforts to remain in the international market by cutting its CRT prices, it has still lost a considerable amount of business, particularly to the Japanese.

One factor which had enabled Clinton to survive against the onslaught of foreign competition was the GSP duty-free status of the glass bulbs which Clinton imports from Taiwan. The cost of the imported bulb represents approximately one-third (1/3) of the end item cost. The bulb itself is more costly than any other single component of the monochrome CRT. It is therefore very easy to see that the July 1, 1987 imposition of the 6.6% ad valorem duty on imported glass bulbs from Taiwan will make it difficult, if not impossible, for Clinton to keep its CRT production cost at a level which will enable it to compete in the international CRT market.

Clinton has lost customers to foreign suppliers because of CRT price differentials of as little as a few cents per tube. Clinton is able to document numerous instances where it lost orders to foreign competition strictly on the basis of price. In such an environment, the significant existing duty on the imported glass bulbs, by increasing Clinton's average CRT unit cost, translates immediately into lost business.

Clinton has seven coating lines for CRT processing. At the present time, only two lines are being used full-time. Direct and indirect labor in 1987 averaged approximately 418 people. A 1988 study conducted by Mr. John R. Feehan, former Manager of Clinton Manufacturing Administration, showed that the Clinton labor force in the Rockford, Illinois plant was only 352 people, which included 70 temporary people hired through Manpower agencies. In the past week approximately 52 employees have been laid off and the current Clinton labor force is 312 employees. No temporary employees are utilized.

International competition has recently escalated with the slowdown in the computer market. The increased competition coupled with the imposition of the 6.6% duty has obviously had a deleterious effect on Clinton and its employees. In light of international market conditions, the long term effect could be even more traumatic. The loss of business which has led to layoffs and decreased production are particularly ownerous because they occur in the Rockford, Illinois area, an area which has a long history of high unemployment and depressed economic conditions.

CONCLUSION

Clinton's customers require a product that is produced with a glass bulb that, since at least 1984, has primarily been produced in Taiwan. No U.S. producer suffers in any manner from import competition as a result of Clinton's importation of monochrome glass bulbs from Taiwan. Clinton believes that there are no other domestic importers of the specific articles (monochrome glass bulbs) that are imported by Clinton from Taiwan.

The imposition of the July 1, 1987 6.6% duty on Clinton's imports of monochrome glass bulbs has adversely impacted Clinton and its employees. That adverse impact magnifies an already tenuous position in the international CRT market. Whether or not Clinton will continue to be a viable domestic producer of monochrome CRTs remains to be seen. Clinton believes that the documented adversity which it faces can be reversed if its duty suspension bill is passed. The duty suspension will increase the competitiveness of Clinton's products in domestic and foreign markets and will help restore Clinton and its employees. It is respectfully submitted that a duty suspension will not be injurious to any other domestic businesses and that it would most likely be the single most important factor in enabling Clinton to again compete meaningfully in the international CRT market. On behalf of my client and its employees, I urge your support for duty suspension bill H.R. 1749.

Respectfully yours,

CLINTON ELECTRONICS CORPORATION

By: Charles P. Kostantacos
Charles P. Kostantacos
One of its Attorneys

Of Counsel:

Peter C. Kostantacos, Esq.
Kostantacos, Traum, Reuterfors
& McWilliams, P.C.
700 Talcott Building,
P.O. Box 14070
Rockford, IL 61105-4070
(815) 964-7891

F. David Foster, Esq.
Peter J. Koenig, Esq.
Ablondi and Foster, P.C.
2100 Pennsylvania Avenue, N.W.
Washinton, D.C. 20037
(202) 296-3355

EXHIBIT I

This Exhibit is submitted to assist the reader in evaluating Clinton's position relative to H.R. 1749. Clinton seeks a duty suspension with respect to monochrome glass bulbs and not with respect to color glass bulbs. Monochrome glass bulbs and color glass bulbs, both of which fall within TSUS 547.3720, are separate and distinct products.

There are numerous physical differences between monochrome glass bulbs and color glass bulbs. First, the chemical properties of the bulbs are significantly different due to their different end uses. Monochrome CRTs are operated at much lower anode voltages than color CRTs. The higher operating voltage of color CRTs requires special chemical properties for the color glass bulb so that electron browning of the glass and emission of injurious levels of x-radiation are prevented. Color glass bulbs are significantly thicker than monochrome bulbs and they contain strontium while monochrome glass bulbs contain lead oxide.

Second, monochrome glass bulbs are a completed one piece unit when sold by the bulb manufacturer. Color glass bulbs are sold by the bulb manufacturer in separate components. The color glass bulbs must be sold as separate pieces so that the color panel can undergo certain necessary additional processing of the screen at the customer's facilities.

Third, the transmission characteristics of the bulbs also differ greatly. Clinton is not aware of any color glass bulbs which are produced that have the 31% transmission characteristic of the monochrome glass bulbs required by Clinton in the bulk of its production.

Finally, the end uses of monochrome glass bulbs and color glass bulbs differ. Monochrome glass bulbs are utilized to produce monochrome CRTs and color glass bulbs are utilized to produce color CRTs. The U.S. International Trade Commission has previously found that monochrome CRTs and color CRTs constitute separate and distinct products.[1]

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[1] Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Inv. No. 731-TA-367 to 370, USITC Pub. 1937 (January 1987) A-4 to A-6.

[ADDITIONAL ATTACHMENTS TO THIS STATEMENT ARE BEING RETAINED IN THE COMMITTEE FILES.]

H.R. 1760

To correct the tariff classification of certain chipper knife steel products

STATEMENT OF AMERICA'S CHIPPER KNIFE MANUFACTURERS

I. Introduction

America's chipper knife industry is composed of five companies from around the United States that are engaged in the manufacture and sale of wood-cutting knives for the nation's pulp, paper and forest products industries.

America's chipper knife manufacturers employ hundreds of U.S. workers. If the inadvertent error in the classification of chipper knife steel under the HTS is not corrected, and duty-free treatment is not restored (as Congress intended in 1984) to all imports of chipper knife steel, America's chipper knife industry will unnecessarily be injured and many of the jobs that American chipper knife manufacturers provide will be placed in serious jeopardy.

II. The Chipper Knife Industry

Chipper knife steel is a special grade of alloy tool steel designed solely for the manufacture of industrial knives used by paper manufacturers, lumber mills and other forest products companies to chip timber and wood into pulp, chips, and other wood fiber products.

American chipper knife manufacturers face fierce competition from imports of foreign-made chipper knives. Because of this fierce competition, American chipper knife manufacturers cannot survive, even in their home markets, unless they keep their production and raw materials costs as low as possible. Chipper knife steel represents the predominant cost in the manufacture of chipper knives. There is no domestic supply of chipper knife steel. Historically the largest sources of supply of chipper knife steel have been producers in the Federal Republic of Germany and Sweden.

III. Previous Government Efforts to Eliminate Barriers to Importation of Chipper Knife Steel

On several occasions during the past twelve years, the Government has taken steps to reduce barriers to importation of chipper knife steel, including two Presidential Proclamations exempting chipper knife steel from Section 201 import quotas and several sets of proceedings before the U.S. Congress that resulted in three temporary reductions and, ultimately, permanent elimination of import duties on chipper knife steel.

The following is a brief chronology of ITC, Presidential and Congressional actions to lower barriers to chipper knife steel imports:

October 1977	ITC Report to the President in TA-203-3 (Stainless Steel and Alloy Tool Steel): Chairman Minchew recommends termination of import relief with respect to chipper knife steel, finding that to do so "would not have a serious adverse economic effect on the domestic [alloy tool steel] industry."
April 5, 1978	Presidential Proclamation 4559, 43 Fed. Reg. 14433 (April 6, 1978), exempts chipper knife steel from import restraints on alloy tool steel because the President finds such exclusion "is in the national interest."

December 28, 1980	*Public Law No. 96-609 (H.R. 5047)*, § 113, 94 Stat. 3557, temporarily reduces the rate of duty on chipper knife steel from approximately 12 percent ad valorem to 4.6 percent ad valorem.
January 12, 1983	*Public Law No. 97-446 (H.R. 4566)*, § 142, 96 Stat. 2342, temporarily reduces the rate of duty on chipper knife steel from 4.6 percent ad valorem to 3.9 percent ad valorem.
May 1983	*ITC Report to the President in TA-201-48* (Stainless Steel and Alloy Tool Steel): The ITC *unanimously* determines that, because of insufficient domestic supply and a lack of domestic industry interest, chipper knife steel should be exempted from import restraints on alloy tool steel.
July 20, 1983	*Presidential Proclamation 5074*, 48 Fed. Reg. 33,233 (July 21, 1983), again *exempts* chipper knife steel from import restraints on alloy tool steel on the ground that it is either not produced in the United States or is produced in such small quantities that an exemption would not have an adverse impact on the domestic [specialty steel] industry.
October 30, 1984	*Public Law No. 98-573 (H.R. 3398)*, § 126, 98 Stat. 2959, temporarily reduces and then *permanently eliminates* import duties on chipper knife steel after April 1, 1986.

In reaching these determinations, the ITC, the President and the Congress repeatedly found -- after receiving sworn testimony, voluminous data, and extensive written materials -- that chipper knife steel is simply not available from domestic sources.

During the past several years, the dependence of American chipper knife manufacturers on foreign sources of raw material has become complete. We are unaware of any domestic production of chipper knife steel since at least 1982.

IV. Customs Treatment of Chipper Knife Steel

Until the HTS went into effect, all chipper knife steel imported into the United States was classified as "bars" and subject to duty-free treatment in accordance with Item No. 606.9300 of the Tariff Schedules of the United States ("TSUSA").

The HTS preserved the duty-free status of chipper knife steel "bars" in HTS Item No. 7228.30.40. However, because of a completely independent change in the general definition of steel "bars",[1] certain wide dimensions of chipper knife steel, that had previously been classified as "bars" under the TSUSA, were reclassified by Customs as "flat-rolled" products subject to an 11.6 percent ad valorem rate of duty pursuant to HTS Item No. 7226.91.30. The result is that approximately one-third of the chipper knife steel bars imported into the United States are being assessed a duty of 11.6 percent ad valorem. These very same bars came in duty-free prior to January 1, 1989.

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[1] Compare Headnotes 3(d) and 3(g) to Part 2 of Schedule 6 of the TSUSA to Headnotes 1(k) and 1(m) to Chapter 72 of the HTS.

The assessment of import duties on these wide dimensions of chipper knife steel, because of an unwitting quirk in the conversion from the TSUSA to the HTS classification systems, is senseless and contrary to repeated efforts by the President, the Congress and the ITC to lower barriers and to eliminate duties on imports of chipper knife steel.

The legislative history of the HTS classification system supports the view that the HTS was not intended to change the pre-existing customs treatment of any product, including chipper knife steel. In approving the legislation by which the HTS was implemented on January 1, 1989, a House-Senate conference committee stated: "The conferees believe that the HTS fairly reflects existing tariff and quota treatment . . . ." H.R. Conf. Rep. No. 100-576, 100th Cong., 2d Sess. 548 (1988) (emphasis added).

Moreover, the conversion table (from the TSUSA to the HTS systems) that the U.S. International Trade Commission published in 1983 clearly contemplated that all chipper knife steel imports would continue to be categorized as chipper knife steel "bars" which, after 1984, were entitled to duty-free treatment. USITC Publication 1400 (June 1983) at p. 837.

Indeed, America's chipper knife manufacturers were reassured, during the HTS conversion process, that the duty-free treatment of all chipper knife steel imports would be preserved since, after contacting the Office of Tariff Affairs in the Office of the U.S. Trade Representative in 1983 and 1984, a special line item for chipper knife steel bars as a duty-free product (HTS No. 7228.30.40) was inserted in the HTS. Apparently no one then understood that, for completely unrelated reasons, a significant portion of what had previously been considered chipper knife steel "bars" would be reclassified as flat-rolled products subject to an 11.6% rate of duty.

Attempts to have the Executive Branch correct this inadvertent error in the conversion to the HTS have been unavailing. In February a request was made to the Office of the U.S. Trade Representative that duty-free treatment be restored for all dimensions of chipper knife steel.2/ The Executive Branch's response to this request was that America's chipper knife manufacturers should seek legislative correction of the error in the HTS.

Since the current assessment of an 11.6 percent ad valorem rate of duty on one-third of all chipper knife steel bars is the result of an inadvertent error in the conversion from the former TSUSA system to the HTS system, H.R. 1760 operates retroactively to assure that any duties collected by the Customs Service since January 1, 1989 on imports of chipper knife steel are refunded.

V. Conclusion

Although the HTS classification system was intended to reflect existing tariff treatment, it inadvertently contradicted a long history of Congressional action which had culminated in legislation permanently suspending the collection of duties on chipper knife steel imports.

2/ See letter dated February 15, 1989, to Barbara Norton, Director of Customs Issues, attached hereto as Exhibit A.

The slip of the pen which reversed the duty-free treatment that Congress prescribed in 1984 can and should be corrected by enactment of H.R. 1760.

Respectfully submitted,

International Knife & Saw, Inc.
P.O. Box 752006
Cincinnati, Ohio 45275-2006

Michigan Knife Co.
120 Pere Marquette Street
Big Rapids, Michigan 49307

Lancaster Knives, Inc.
165 Court Street
Lancaster, New York 14086

Pacific Saw & Knife Co.
P.O. Box 02125
2700 S.E. Tacoma Street
Portland, Oregon 97202

Triangle T. Corp.
Route #3, Box 28
Brunswick, Georgia 31520

Of Counsel:

Glenn R. Reichardt
Lisa L. Ferneau
Kirkpatrick & Lockhart
1800 M Street, N.W.
South Lobby
Washington, D.C. 20036
(202) 778-9000

EXHIBIT A

KIRKPATRICK & LOCKHART

SOUTH LOBBY · 9TH FLOOR
1800 M STREET, N.W.
WASHINGTON, D.C. 20036-5891
(202) 778-9000
TELEX 440209 KL DC UI
TELECOPIER (202) 778-9100

53 STATE STREET
BOSTON, MASSACHUSETTS 02109-2809
(617) 227-6000

240 NORTH THIRD STREET
HARRISBURG, PENNSYLVANIA 17101-1503
(717) 231-4500

100 CHOPIN PLAZA · SUITE 2000
MIAMI, FLORIDA 33131-2300
(305) 374-8112

1500 OLIVER BUILDING
PITTSBURGH, PENNSYLVANIA 15222-5379
(412) 355-6500

GLENN R. REICHARDT
(202) 778-9065

February 15, 1989

Ms. Barbara Norton
Director of Customs Issues
Office of GATT Affairs
Office of the U.S. Trade
Representative
600 17th Street, N.W.
Washington, D.C. 20506

RE: Chipper Knife Steel (HTS Item No. 7228.30.40)

Dear Ms. Norton:

As I discussed with you recently, we represent Michigan Knife Co., an American manufacturer of wood chipping knives for the wood, pulp and paper industries, which has been seriously injured by an apparently unintended consequence of the conversion to the Harmonized Tariff Schedule ("HTS").

Michigan Knife Co. is one of the largest U.S. consumers of chipper knife steel, a special alloy tool steel from which chipper knives are manufactured.

Because chipper knife steel is not available from U.S. sources, it has been exempted from import quotas imposed under Section 201 of the Trade Act of 1974, as amended. 48 Fed. Reg. 33233, 33240 (July 21, 1983). For the same reason, Congress has permanently eliminated the duty on chipper knife steel imports. Pub. L. No. 98-573, § 126, 98 STAT. 2959 (1984).

Until the HTS went into effect, chipper knife steel was imported into the United States solely in the form of bars, as defined in Headnote 3(d) of the Tariff Schedules of the United States Annotated ("TSUSA"). Although there were statistical annotations for chipper knife steel in other forms (e.g., as plate), the duty-free treatment and quota exemption for chipper knife steel were tied to its bar form, which was classified under TSUSA Item No. 606.9300. A copy of the relevant page of the final version of the TSUSA is enclosed for your information.

In 1983 when early drafts of the HTS were made available for public comment, we contacted Sandra Kristoff, who was then coordinating the study of the HTS for your office, emphasizing how important it was to preserve the duty-free status of chipper knife steel in the HTS. Copies of my correspondence with Ms. Kristoff and of subsequent correspondence in 1984 with the TPSC on this subject are enclosed for your information.

We were led to believe that our concerns about the HTS conversion had been fully addressed when later drafts of the HTS included a special provision for chipper knife steel bars in HTS Item No. 7228.30.40. This belief was based in large part on the ITC conversion table, released in 1983, which showed that imports under TSUSA 606.9300 were going to be converted solely to an HTS bar category under proposed HTS Item No. 7228. That conversion table, a copy of which is also enclosed, did not in any way suggest that some chipper knife steel imports, classifiable under TSUSA Item No. 606.9300, might no longer be considered "bars" under the HTS.

Unfortunately, to our surprise (and apparently to the surprise of everyone else involved with this product), in January the Customs Service began to deny duty-free status to certain shipments of chipper knife steel on the basis that they were not "bar" products.

It was then that we learned that, by creating a new definition of "flat-rolled" products (in Headnote 1(K) to Chapter 72), the HTS had implicitly narrowed the definition of "bar" products (in Headnote 1(l)) to the point that certain wide dimensions of what, in the trade, are considered chipper knife steel "bars" are now being classified, for customs purposes, as "flat-rolled" steel products.

As a result of this reclassification, a significant portion of chipper knife steel imports is now being classified under HTS Item No. 7226.91.30, a basket category for flat-rolled alloy tool steel products that carries an 11.6 percent ad valorem rate of duty -- an even higher rate than had applied to chipper knife steel bars before the duty on those bars was permanently eliminated by Congress in 1984.

We believe that this reclassification of chipper knife steel products is contrary to the express intent of Congress in eliminating import duties on chipper knife steel and we urge the Executive Branch to take prompt corrective measures to remedy this unfortunate error.

I understand that you are negotiating line item tariff changes as part of the current multilateral trade negotiations under the GATT and that, as part of those negotiations, your office has the authority to carve out new line items for particular products, like chipper knife steel. It is also my understanding that your office has the authority to take such action prior to the end of the current Uruguay Round.

As one way of solving the unanticipated problem created by the HTS conversion, we urge you to create a separate, duty-free category for chipper knife steel as a flat-rolled product. It is my understanding, from talking to Larry DiRicco at the U.S. International Trade Commission, that this could easily be done as a break-out from HTS Item No. 7226.91.30.

For your information, and as additional background, I have enclosed a short report that describes the history of previous Government actions (by the President, the Congress, the U.S. Trade Representative, and the U.S. International Trade Commission) to reduce and eliminate barriers to the importation of chipper knife steel.

Michigan Knife Co. and other American knife manufacturers are understandably upset that several years of work to lower barriers to importation of chipper knife steel were substantially undercut by this unintended consequence of the HTS conversion process. They are particularly frustrated since we submitted written comments regarding the HTS conversion on at least two occasions in an effort to avoid this kind of error.

Please let me know if you have any questions regarding this matter and how we can most effectively and most quickly solve the problem which the HTS conversion has created for Michigan Knife Co. and other American manufacturers of wood chipping knives. I am sure you will agree that, under the circumstances and given the long history of Government action with which the HTS conversion has interfered, a prompt resolution is not only fair but necessary.

Thank you for your attention to this matter and for your help in solving this problem.

Sincerely yours,

Glenn Reichardt
Glenn R. Reichardt

Enclosures

cc: John E. Halloran
President
Michigan Knife Co.

[ADDITIONAL ATTACHMENTS TO THIS STATEMENT ARE BEING RETAINED IN THE COMMITTEE FILES.]

STATEMENT OF THE
MACHINE KNIFE ASSOCIATION
IN SUPPORT OF
H.R. 1760

May 30, 1989

The members of the Machine Knife Association unanimously urge the Congress to enact H.R. 1760, which would correct the tariff classification of chipper knife steel imports.

Chipper knife steel is a special alloy tool steel that members of the Association import to manufacture wood chipping knives for the wood, pulp and paper industries.

This raw material has not been available from domestic sources for many years. The Machine Knife Association petitioned Congress, as early as 1979, to eliminate import duties on chipper knife steel so that the American knife manufacturers which import this product could be more competitive with foreign manufacturers of finished chipper knives.

Congress responded to our Association's concerns by temporarily reducing the rate of duty on chipper knife steel in 1980 and 1983 (Pub. L. No. 96-609, § 113, and Pub. L. No. 97-446, § 142) and by permanently eliminating all import duties on chipper knife steel in 1984 (Pub. L. No. 98-573, § 126).

Unfortunately, a definitional change in the new Harmonized Tariff Schedule (which went into effect on January 1, 1989) unwittingly reclassified approximately one-third of all chipper knife steel imports as miscellaneous "flat-rolled" alloy tool steel products, bearing an 11.6 percent ad valorem rate of duty.

This unexpected change in the classification of chipper knife steel products has resulted in reimposition of a high rate of duty on chipper knife steel imports, contrary to the intent of Congress in 1984.

For the same reasons that the 98th Congress eliminated import duties on chipper knife steel in 1984, this Congress should correct the classification of chipper knife steel under the new Harmonized Tariff Schedule to assure that all chipper knife steel imports will continue to qualify for duty-free treatment.

Since H.R. 1760 seeks to correct an inadvertent Government error, it should operate retroactively so that any duties collected on chipper knife steel imports after January 1, 1989 are refunded.

MEMBERS
MACHINE KNIFE ASSOCIATION

Alcon Tool Company
487 Baird Street
Akron, Ohio 44311

Asko, Inc.
P.O. Box 355
Homestead, Pennsylvania 15120

Cleveland Knife Division
Paumier, Inc.
5325 Southway
Canton, Ohio 44706

Cowles Tool Company
2245 W. 114th Street
Cleveland, Ohio 44102

Cumberland Engineering
P.O. Box 6065
Providence, Rhode Island 02940

Detroit Edge Tool Company
6570 E. Nevada Avenue
Detroit, Michigan 48234

Dienes Corporation
Spencer Corporate Park
Spencer, Massachusetts 01562

Hyde Manufacturing Company
54 East Ford Road
Southbridge, Massachusetts 01550

International Knife & Saw
1299 Cox Avenue
Erlanger, Kentucky 41018

Lancaster Knives, Inc.
165 Court Street
Lancaster, New York 14086

Lund International
571 Main Street
Hudson, Massachusetts 01749

Michigan Knife Company
120 Pere Marquette Street
Big Rapids, Michigan 49307

Pacific Saw & Knife Co.
2700 SE Tacoma Street
Portland, Oregon 97202

The Wapakoneta Machine Company
P.O. Box 429
Wapakoneta, Ohio 45895

Wisconsin Knife
2710 Prairie Avenue
Beloit, Wisconsin 53511

York Saw & Knife Co.
P.O. Box 733
York, Pennsylvania 17405

A.P. Wherry & Associates, Inc.
30200 Detroit Road
Cleveland, Ohio 44145
Association Executives

H.R. 1766

To suspend temporarily the duty on certain luggage frames of aluminum.

No statements submitted.

H.R. 1768

To extend the existing suspension of duty on certain knitwear fabricated in Guam

United States Department of the Interior
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

MAY 19 1990

Honorable Dan Rostenkowski
Chairman, Ways and Means Committee
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is to provide you with the view of the Department of the Interior on H.R. 1768, "To extend the existing suspension of duty on certain knitwear fabricated in Guam."

The Department of the Interior strongly supports passage of H. R. 2225. We note the proposed bill would, if enacted, simply extend for an additional six years, from 1992 to 1998, a duty suspension on sweaters fabricated in Guam, but which no longer are treated as products of Guam due to a change in U. S. rules of origin. Extension of the duty suspension would permit a small but important industry to remain on Guam and continue to employ United States citizens and residents.

Sincerely,

Timothy W. Glidden

Timothy W. Glidden
Counselor to the Secretary

STATEMENT OF SIGALLO PAC, LTD. & SIGALLO, LTD.

We submit this statement on behalf of our clients, Sigallo Pac, Ltd., of Agana, Guam and its United States affiliate, Sigallo, Ltd. H.R. 1768 extends the existing duty suspension (Heading 9902.61.00 HTSUSA) which applies solely to men's knit-to-shape wool sweaters fabricated in the U.S. Territory of Guam from October 31, 1992 through December 31, 1998. This extension is necessary for the reason that the sweater industry in Guam cannot continue to operate and thereby employ U.S. citizens in Guam without the relief provided by the duty suspension.

BASIS FOR THE DUTY SUSPENSION AND ITS EXTENSION

The current duty suspension for sweaters fabricated in Guam was enacted as Section 1736 of the Omnibus Trade and Competitiveness Act of 1988 during the 100th Congress. This section was included by consensus in the Omnibus Act after years of discussion with the domestic textile and apparel industry, the Interior and Treasury Departments and concerned House Members. The language was originally introduced as H.R. 2225 in the 99th Congress. It was incorporated into H.R. 4800 and its successor, H.R. 3, during the 100th Congress and enacted as part of Public Law 100-418.

The regulatory threat to the sweater industry in Guam which occasioned the need for the present duty suspension is still operative today. In reliance on several Customs Rulings (see Customs Rulings 067217, 071303 and 071359) which stated that the proposed sweater operation in Guam would qualify for duty-free treatment as products of Guam, Sigallo spent $1,500,000 in start-up costs to establish the sweater factory. After Sigallo's good faith investment, the U.S. Treasury Department revised its country of origin rules in March, 1985 (19 C.F.R. Sec. 12.130). Under the revised rules, the same sweaters which formerly were of Guam origin and thus duty-free are now of foreign origin and potentially subject to duty. Accordingly, on August 5, 1985, the U.S. Customs Service published a notice of its intent to change its practice and impose duties on these sweaters. The Customs Service has not yet imposed the duties, but can still do so by simply publishing a Federal Register notice to that effect.

It should also be noted that although the Customs Service has indicated its intent to impose duties on these sweaters, no duties have ever been due on imports of these sweaters. Therefore, the enactment of the extension of the current duty suspension will not result in the loss of any revenue to the United States.

If the Customs Service were to impose duties and the current duty suspension were no longer in effect, the Sigallo sweater operation in Guam would close. The company would be unable to compete with manufacturers of similar sweaters from low wage foreign countries. At present, Sigallo and Sigallo Pac, Ltd. employ approximately 400 people in the production, shipment, U.S. importation and distribution of the sweaters, which carry such well-known brand names as "McGregor", "Wrangler" and "Dunlop" and are sold in stores throughout the country. Every one of the 300 employees engaged in the production of the garments in Guam is a U.S. citizen, national or resident alien. In addition, every worker is paid wages substantially above U.S. minimum wages, and equal to or above those paid to workers in comparable jobs in the mainland United States. Sigallo Pac, Ltd. is the largest single manufacturing operation and the largest private employer in Guam, contributing millions of dollars to the territorial economy in wages, purchases and tax revenues. Sigallo also employs 60 employees in New York City supervising the administrative and sales aspects of the business and 30 employees in its warehouse facility in Charleston, South Carolina. Both Sigallo and Sigallo Pac, Ltd. are subject to and in compliance with the entire host of U.S. labor, health and environmental laws and regulations.

CONTINUED PROTECTION FOR THE DOMESTIC TEXTILE INDUSTRY

It is important to note that the total amount of sweaters covered by the current duty suspension, and by the extension as well, exactly matches the special "quota exemption" established by an agreement between the Government of Guam and the U.S. Trade Representative. This agreement is implemented by annual directives issued by the Interagency Committee for the Implementation of Textile Agreements (CITA). The duty suspension applies only to those sweaters which are allowed to enter the United States under this "quota exemption". This quantitative limit will continue to provide an effective measure of protection for the domestic producers of like or competitive sweaters.

H.R. 1768 provides further protection to the domestic textile and apparel industry by providing that the sweaters must be assembled by completely sewing, looping, etc. at least five major component parts. This calls for considerable training and skill on the part of the operators and will discourage any attempted "pass-through" operations. In addition, each sweater is subject to the requirement that at least 50% of its United States Customs value be added in Guam. This condition will also forestall the occurrence of pass-through operations. The labor used to produce the sweaters must consist of United States citizens, nationals or resident aliens. Since Guam is subject to the United States minimum wage laws, the use of American workers precludes the use of imported low-wage alien temporary labor.

Sigallo's record thus far is the surest indication of compliance with the domestic industry. Since the inception of sweater production in Guam, continuing through the passage of the current duty suspension for those sweaters, there have been no instances of misuse of the special duty treatment. The sweater assembly operation in Guam is run strictly according to all applicable requirements.

CONCLUSION

The enactment of the current duty suspension for sweaters from Guam during the last Congress constituted a reaffirmation of the United States' long-standing policy in favor of promoting economic self-sufficiency in its insular possessions. Both the Administration and Congress recognized that the sweaters factory comprised a substantial private investment in Guam and brings significant economic benefits to the Territory. This policy has continuing value today and should be furthered by extending the existing duty suspension. The extension will dispel any threat by the Customs Service to duty these sweaters and instill confidence in Sigallo, Inc.'s customers, creditors and employees. Finally, an extension of the present duty suspension offers no harm to the domestic textile and apparel industry. A deal was struck during the last Congress with the domestic producers which is still valid. The extension will not result in any revenue loss to the Treasury of the United States, but will allow an American-owned, American-operated and American-staffed company to succeed against its foreign competitors. For these reasons, we urge this Subcommittee to report this measure favorably.

H.R. 1770

To suspend temporarily the duty on carfentanil citrate.

No statements submitted.

H.R. 1777

To suspend temporarily the duty on in-line roller skate boots.

WRITTEN COMMENTS
OF

ROLLERBLADE, INC.

IN SUPPORT OF

H.R. 1777

These comments are submitted on behalf of Rollerblade, Inc., a Minnesota corporation which manufactures in-line roller skates in the United States for sale both domestically and abroad. Rollerblade strongly supports the enactment of H.R. 1777, a bill introduced on April 11, 1989, by Congressman Frenzel of Minnesota, to suspend temporarily the duty on in-line roller skate boots. H.R. 1777 would, if enacted, suspend until December 31, 1992, the column 1 import duty (6 percent ad valorem) currently applied to imports of "other sports footwear with outer soles and uppers of rubber or plastics," classified under heading 6402.19.10, Harmonized Tariff Schedule of the United States (HTSUS), for those boots actually used in the manufacture of booted in-line roller skates.

H.R. 1777 was introduced to provide temporary relief from an unintended anomaly in the U.S. tariff laws. Under the HTSUS, "roller skates and parts and accessories thereof," classified in heading 9506.70.20, HTSUS, are eligible for unconditional duty-free treatment. This provision includes roller skating boots with skates attached, but does not cover roller skating boots without skates attached. Polyurethane roller skating boots (without skates attached) of the type imported by Rollerblade are currently classified under the provision for "other sports footwear" in heading 6402.19.10, HTSUS, and dutiable at the rate of 6 percent ad valorem. The result of this tariff rate inversion is that Rollerblade, by choosing to import roller skating boots and manufacture roller skates in the United States, is at a competitive disadvantage against competitors who import finished roller skates manufactured entirely on foreign soil, most commonly in Taiwan.

In construing tariff statutes, the courts have consistently held to be anomalous those interpretations which admit finished products at lower rates of duty than those imposed on the components or materials from which they were made. See, e.g., United States v. American Shipping Co., 13 Ct. Cust. Appls. 346, T.D. 41254 (1925); Oxford University Press, N.Y., Inc. v. United States, 20 Cust. Ct. 78, C.D. 1088 (1948); Kuyper & Co. v. United States, 7 Ct. Cust. Appls. 212, T.D. 36509 (1916); John V. Carr & Son, Inc. v. United States, 25 Cust. Ct. 77, C.D. 1267 (1950). Thus, the U.S. Court of Customs and Patent Appeals has reasoned that:

> It would be anomalous to admit the finished product at a lower rate of duty than applies to the material from which it is produced. Such anomalies are generally looked upon as being contrary to legislative intent, and this and

> other courts have frequently declared that when the language used to express the legislative will clearly warrants a construction in accord with the general policy of Congress to not subject completed articles to lesser duty than the material of which they are composed, such construction is required.

United States v. J.M. Lehman Co., Inc., 22 CCPA 106, T.D. 47081 (1934).

Rollerblade has created more than 50 jobs at its manufacturing facility in the Minneapolis suburb of Eden Prairie, and has thereby made significant contributions to the well-being of the local economy. Despite increasing competition from manufacturers of finished, foreign-made roller skates, Rollerblade remains hopeful of significant growth in the future, and of providing increased employment opportunities in Minnesota. Rollerblade sources many of the components used in the manufacture of its in-line roller skates domestically, and in fact prefers to do so whenever possible. However, molded polyurethane (PU) roller skating boots for in-line roller skates are not available domestically, and Rollerblade must therefore import these special boots from Italy and Austria. Molded polyethylene (PE) boots, which are less rigid, simply do not measure up to the stringent quality standards imposed at Rollerblade.

The current 6 percent duty on Rollerblade's imported boots increases the costs of its finished product significantly. Rollerblade's competitors, by importing finished roller skates from Taiwan and elsewhere, have for several years been accorded unconditional duty free treatment. In effect, Rollerblade is being penalized for its decision to manufacture its product in the United States with U.S. workers. The temporary suspension of the current duty on imported boots would allow Rollerblade to reduce wholesale prices in both the United States and foreign markets (including Japan, Canada, Sweden, Australia, and Italy), and thereby improve its competitive standing. To the best of its knowledge, Rollerblade believes that it is the only company importing molded polyurethane boots for use in the manufacture of in-line roller skates.

The tariff language used in H.R. 1777 would create what is known in customs law as an "actual use" provision. The pertinent statute (Additional U.S. Rule of Interpretation 1(b), HTSUS) sets forth the following rule applicable to such actual use provisions:

> "a tariff classification controlled by the actual use to which the imported goods are put in the United States is satisfied only if such use is intended at time of importation, the goods are so used and proof thereof is furnished within 3 years after the date the goods are entered."

When the tariff classification of an article (i.e., "boots") is controlled by an actual use (i.e., "the manufacture of booted in line roller skates"), the Customs Regulations found at 19 C.F.R. 10.131-10.139 are applicable. Customs Service officials have analyzed H.R. 1777 and concluded that "[k]eeping this an 'actual use' provision seems to be the best way to distinguish these boots from other boots." Rollerblade agrees with this analysis and will have no difficulty in providing Customs officials with the proof required by 19 C.F.R. 10.134.

The Customs Service has also stated with respect to H.R. 1777 that "the retroactive provisions on page 2 should be administrable because 'proper request' would require the manufacturer to submit the necessary proof to show manufacture." Retroactive application is justified in the present case because Rollerblade has actively undertaken to correct the tariff anomaly for several years, dating back to 1985, when Rollerblade first raised the issue with the Customs Service. The Customs Service issued a binding tariff classification ruling in August, 1985, which held that, although the roller skating boots were not useable in their imported condition for walking, they were nevertheless classified in item 700.5610, TSUS, (the predecessor provision to heading 6402.19.10, HTSUS).

In conclusion, an unfair and unintended tariff anomaly which allows the finished product (i.e., a roller skate) to enter the United States unconditionally duty free while the component part (i.e., a roller skate boot) is subjected to a 6 percent duty, places Rollerblade at a competitive disadvantage against companies who import finished roller skates manufactured entirely on foreign soil. Clearly, Rollerblade should not be penalized by the U.S. tariff laws for its decision to manufacture its product domestically with U.S. workers. Accordingly, Rollerblade respectfully urges this Committee to favorably recommend enactment of H.R. 1777.

H.R. 1779

To extend the existing suspension of duty on crude feathers and down.

AAMA
AMERICAN APPAREL MANUFACTURERS ASSOCIATION

May 22, 1989

The Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20510

Dear Chairman Gibbons:

This letter is in support of H.R. 1779, a bill by Mr. Jenkins to extend the existing suspension of duty on crude feathers and down. We hope that this letter will be made part of the record on that bill.

AAMA is the central trade association of the United States apparel industry. Our members control about two-thirds of the country's garment manufacturing capacity and are located in virtually every state. Many of our members and associate members use raw down in the production of garments and home furnishings.

The down duty suspension goes back to 1974 when Congress suspended the dut to correct an anomaly in tariff laws that seriously discriminated against American companies by making it cheaper to manufacture outside the U.S. than within. The suspension of duty was renewed by Congress in 1979, in 1984 and again last year.

Imported waterfowl feathers and down are used in pillows, comforters, sleeping bags and outerwear garments. Prior to the 1974 legislation, there was a 15% duty on feathers and down but significantly lower duty rates applied to finished products. This favored foreign manufacturers over U.S. manufacturers because of the inadequate domestic supply of feathers and down to meet the demand. In order to protect domestic manufacturers, Congress has generally provided that the duty on finished articles should be higher than the duty on component parts.

Prior to 1974, domestic manufacturers of down and feather filled articles found it increasingly difficult to compete against foreign suppliers of finished products who may have paid less than 1/2 the duty rate applicable to feathers and down. Unless the suspension of duties is continued, the curious anomaly evidenced in the old laws would again be present. Foreign manufacturers will gain an ever increasing dominance in the market, domestic manufacturers will be encouraged to establish facilities abroad with a commensurate loss of American jobs, and the export potential of American companies would be severely jeopardized at the time when we need help with our balance of payments.

2500 Wilson Boulevard/ Suite 301/ Arlington, Virginia 22201 • 703/524-1864 • FAX 703/522-6741

BAMA DIVISION
240 Madison Avenue
New York, NY 10016
212/686-3440

NOSA DIVISION
240 Madison Avenue
New York, NY 10016
212/686-3440

SAMA DIVISION
P.O. Box 589931
Dallas, TX 75258
214/631-0622

WESTERN DIVISION
P.O. Box 2291
Los Angeles, CA 90051
213/624-8929

The decision to use imported crude feather and down is not one of choice for United States manufacturers, but one of necessity. United States production of crude feather and down is less than 25% of the total annual United States manufacturing requirements. United States growers of ducks and geese raise their products specifically for the meat content of the birds; the feather and down is a natural, but secondary by-product. As the growers' bird production is tied to the demand for meat, there is minimal incentive to increase production of flocks as the result of a 7.5% duty on raw plumage. In fact, there is good reason to believe that United States growers of ducks and geese will simply raise their prices for feather and down to dutiable rates, increase their profits, and not increase their bird production.

It may additionally be argued by growers that they sell less of their feather and down by-product to United States manufacturers today due to lower prices of some imported products. However, it is important to note that growers are also exporting their feather and down for a premium to Japan and other countries instead of selling it here. It is highly unlikely that they will choose to sell their product here, even with the duty charge added.

Ultimately, consumers will be the ones to suffer most as a result of this duty. Manufacturers of feather and down products operate in a highly competitive market place and have little alternative but to pass any increased costs associated with raw materials on to the consumers.

It is important to understand that while the majority of every pound of crude feather and down consists primarily of feathers (nearly 80%), the majority of value is gained from the down which accounts for less than 20% of every pound of crude stock. Feathers provide only minimal dollars in the market and therefore manufacturers must charge higher prices for the down to recoup the value lost in feathers and obtain some profit.

Based on current prices for imported crude feather and down, costs will increase approximately $.30 per pound to the manufacturer if the duty is reinstated. However, because of the down cost relationships as described above, the cost of down to the retailer will increase five (5) times the value of the $.30 duty increase. After normal retail markups, the consumer will see a ten-fold increase in the prices, or $3.00 for the $.30 duty. Retailers, in an effort to hold prices, may demand a lower quality product, which again results in a loss of value to consumers.

Either way, the end result will be a reduction in product demand that will greatly affect the jobs of thousands of workers in our industry.

In conclusion, suspension of the duty on crude feathers and down is vital to the continued growth and prosperity of manufacturers of feather and down products, their employees, and their consumers, all of whom would bear the unfair cost increases resulting from this duty. We hope that the Subcommittee will approve H.R. 1779 and that the Congress will enact it.

Sincerely yours,

Stewart Boswell

G. Stewart Boswell
President

AFTAC AMERICAN FIBER, TEXTILE, APPAREL COALITION

1801 K STREET, N.W., SUITE 900, WASHINGTON, D.C. 20006 (202)862-0500

May 30, 1989

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Ways & Means Committee
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your request for comment on certain tariff and trade bills, as announced in Committee Press Release #10 dated May 3, 1989. The American Fiber, Textile and Apparel Coalition (AFTAC) is a broad-based coalition which includes 21 organizations, representing industry and labor, producing most of the fibers, fabrics, home furnishings, industrial textiles and apparel made in the United States. AFTAC supports H.R. 1779, a bill to extend the existing suspension of duty on crude feathers and down.

Congress first granted a duty suspension for these products in 1974 and renewed it in 1979 and 1984. The current suspension is scheduled to expire at the end of 1990. H.R. 1779 would delay the expiration date until December 31, 1995.

Since domestic production of feathers and down falls far short of demand, U.S. producers of end products would be put at a further economic disadvantage against their offshore competitors if they were required to pay the 15 percent duty.

For this reason, AFTAC supports H.R. 1779 and recommends that the Subcommittee on Trade give it favorable consideration. We appreciate the opportunity to comment on this bill and would ask that this letter be made a part of the record.

Sincerely,

Robert Blanchard
Robert Blanchard
Chairman

RB/rfd

Amalgamated Clothing & Textile Workers Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet & Rug Institute
Clothing Manufacturers Association of America
Cordage Institute
Industrial Fabrics Association International
International Ladies' Garment Workers Union
Knitted Textile Association
Luggage & Leather Goods Manufacturers of America
Man-Made Fiber Producers Association, Inc.
National Association of Uniform Manufacturers
National Cotton Council of America
National Knitwear Manufacturers Association
National Knitwear & Sportswear Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association, Inc.
Work Glove Manufacturers Association

H.R. 1783

To amend the Harmonized Tariff Schedule of the United States with respect to low fuming brazing rods.

BEFORE THE SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS

UNITED STATES HOUSE OF REPRESENTATIVES

IN OPPOSITION TO
H.R. 1783 TO RECLASSIFY IMPORTS OF LOW-FUMING BRAZING ROD

This statement is filed on behalf of Ansonia Copper & Brass Company in Ansonia, Connecticut, Cerro Metal Products, Inc., in Bellefonte, Pennsylvania, and the J.W. Harris Co. in Cincinnati, Ohio. These companies together comprise the United States domestic industry for low-fuming brazing rod. This product is a general-purpose welding material that is predominantly a copper-zinc alloy and that is employed almost exclusively to bond dissimilar metal components. Low-fuming brazing rod is used in the manufacture of agricultural tools, bicycle frames, wheelchairs, and metal furniture and in the maintenance and repair of various equipment.

The domestic industry opposes H.R. 1783. That bill would reclassify imports of low-fuming brazing rod into a "basket category" for brass bars and rods in lieu of the breakout for low-fuming brazing rod that currently exists. The apparent basis for this bill is that the Census Bureau's data allegedly reveal importers' company-specific pricing and volume information to other importers of this merchandise. It is the domestic industry's understanding that this bill has been proposed at the request of one of those importers.

During consideration of this bill, the domestic industry believes that a number of factors should be taken into account in addition to the question of confidentiality of data and that this analysis should result in the present breakout for low-fuming brazing rod being maintained. Not only is it unclear whether the business operations of individual importers are disclosed to anyone else by that breakout, but there are valid reasons why the breakout for low-fuming brazing rod should be continued.

At the outset, it is important to recognize that the United States domestic producers of low-fuming brazing rod have fought hard against unfairly traded imports for many years in an effort to retain a strong position in this product area. Central to this undertaking has been the breakout for low-fuming brazing rod. This breakout was effected on January 1, 1982, at the request of the Copper & Brass Fabricators Council ("Council") under 19 U.S.C. § 1484(e) and has been carried forward since then in the Harmonized Tariff Schedule of the United States. The Council's eighteen member companies, including Cerro Metal Products, together generate over 80 percent of United States domestic production of semi-fabricated copper and copper alloy products.

With the assistance of this breakout, the United States domestic industry successfully prosecuted in 1985 and 1986 several unfair trade proceedings. In particular, antidumping duty orders were issued against imports of low-fuming brazing rod from New Zealand and South Africa, respectively, and a countervailing duty order was issued against imports of low-fuming brazing rod from New Zealand. Among the importers who were respondents in these cases was the company that now wants to return low-fuming brazing rod to a "basket category."

Apart from the issue of whether confidential data are somehow being exposed, therefore, the breakout for low-fuming brazing rod serves the legitimate purpose of enabling the United States domestic industry to monitor imports that may have been dumped or subsidized and to petition for relief from such imports under this nation's unfair trade laws. Were imports of low-fuming brazing rod relegated again to a "basket category," the United States domestic industry's ability to protect itself from dumped and subsidized imports would be seriously impaired. Above all, precise and reliable data on the volume and value of the imports would otherwise be difficult if not impossible for the United States domestic industry to obtain.

As far as the contention is concerned that company-specific data may be broadcast as a result of the breakout, inspection shows that this argument is not compelling.

In particular, there are a number of companies that have imported low-fuming brezing rod in the past, that continue to do so now, and that presumably will do so in the future. To the belief of the United States domestic industry, these firms include Allstate in Maryland, Allweld in California, Aufhauser Brothers Corporation in New York, Inweld in Connecticut, Natweld in Pennsylvania, Stanley Kessler in Pennsylvania, Robinson Technical Products in Pennsylvania and its subsidiary J.B. Alloy in Texas, and Thermacote-Welco in North Carolina. There may be other importers that are unknown to the United States domestic industry.

Given the competitiveness of this market for low-fuming brazing rod, it is not apparent that company-specific data are being revealed to anyone by the Census Bureau's statistics. From the United States domestic industry's standpoint, the relative standing of each of these companies can be estimated from general market information, but the amount and value of each one's imports is not discernible from the published data. How much, in other words, each firm is importing is not confirmed by the Census Bureau's numbers. From the vantage of the importers themselves, obviously a particular importer can subtract its data from the total import data and narrow the field to that degree, but even then it remains to be seen whether any other importer's data can be isolated by the first importer in this fashion.

Another facet of this situation should be addressed. The United States domestic market for low-fuming brazing rod is a specialized market. The nature of the product and its uses make this so. In recent years, for example, the consumption of this product in the United States has probably been between $5-$10 million annually and has likely been contracting to an extent as robotic assemblage becomes more prevalent and allows silicon bronze to substitute in some instances for low-fuming brazing rod. Under these circumstances, it might at first glance seem that this market is not important enough to warrant a breakout for low-fuming brazing rod.

In fact, however, this product and market are significant. That is why a breakout was granted in 1982 under the Tariff Schedule of the United States Annotated and why that breakout is statutorily embodied in the Harmonized Tariff Schedule of the United States. That is why the United States domestic industry saw fit in 1985 and 1986 to bring a series of antidumping and countervailing duty cases against certain imports of low-fuming brazing rod. These measures are not incongruous at all if it is remembered that low-fuming brazing rod not only fills a discrete market niche but also is typically sold with other products as a package at the major distributorship level and serves in that context as an inducement for customers to purchase further product lines as well, such as other copper-based alloys, aluminum, and stainless steel welding wire.

In conclusion, H.R. 1783 represents an attempt to reverse the work of the last decade by the United States domestic industry to break out imports of low-fuming brazing rod and to offset the negative impact of these imports that have been injuriously dumped and subsidized. The basis for this bill -- that the data of individual companies are being revealed by the breakout -- has not been established. To the contrary, the available evidence indicates that the number of firms importing low-fuming brazing rod is great enough so that company-specific data are not being divulged. Moreover, this specialized market is an important one that justifies a breakout for imports of low-fuming brazing rod.

Respectfully submitted,

David A. Hartquist

DAVID A. HARTQUIST
JEFFREY S. BECKINGTON

COLLIER, SHANNON, RILL & SCOTT
1055 Thomas Jefferson Street, N.W.
Suite 300
Washington, D.C. 20007
(202) 342-8400

RAYMOND J. McGRATH
5th District, New York

MEMBER
COMMITTEE ON
WAYS AND MEANS
SUBCOMMITTEE ON
SELECT REVENUE
MEASURES
SUBCOMMITTEE ON
OVERSIGHT

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE:
Room 205
Cannon House Office Building
(202) 225-5516

DISTRICT OFFICE:
203 Rockaway Avenue
Valley Stream, NY 11580
(516) 872-9550

May 26, 1989

The Honorable Sam Gibbons
House Ways and Means
Subcommittee on Trade
1136 Longworth HOB
INSIDE MAIL

Dear Mr. Chairman:

I would like to provide the Trade Subcommittee with some background information on H.R. 1783, a miscellaneous tariff bill I introduced on April 11, to collapse Tariff No. 7407.2150 to Tariff No. 7407.2190. Duty rates on the two categories are the same. The bill was introduced at the request of a Long Island firm. The company is one of two major importers of low fuming brazing rods, a product now classified under its own tariff number. The rods are used to coat other welding rods used for industrial purposes.

This legislation is designed to protect proprietary information. Two firms import almost 90% of the total quantity of low fuming brazing rods entering the United States. The dollar value is relatively small. Over the first eleven months of 1988, it was approximately $2.7 million. The limited quantity and value of the rods and the small number of importers enables the primary competitor of the Long Island firm to estimate the unit cost of an essential commodity with great precision simply by referring to Commerce Department trade statistics.

An anti-dumping case was brought against on this item several years ago. I have not been able to ascertain why a case was brought on a product of such limited value primarily used by the two importers. The information I have received indicates that the rods are produced by only one domestic firm, which itself enjoys approximately a third of the U.S. market for sales of the final product.

I think the firm has a legitimate problem with the existing classifications, and I hope the Trade Subcommittee will act favorably on H.R. 1783.

Thank you very much for your assistance. I ask that this letter be included in the public record.

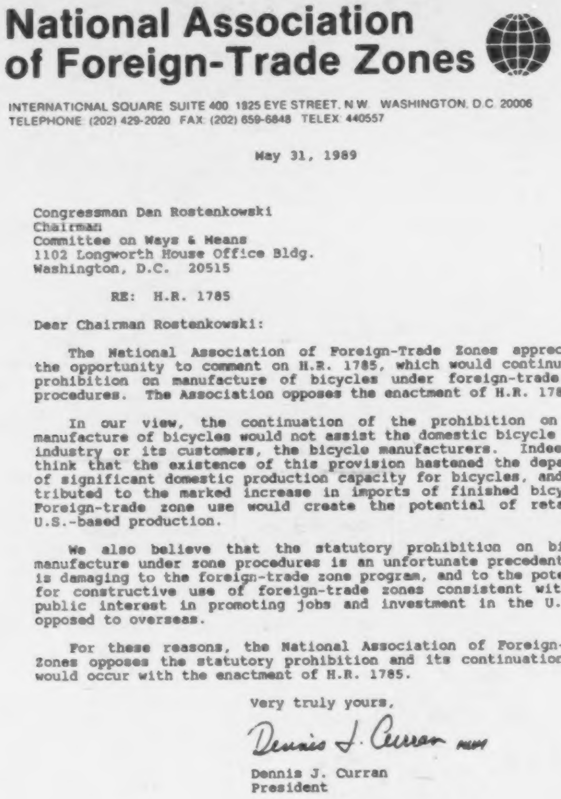
Sincerely,

Ray

Raymond J. McGrath, M.C.

H.R. 1785

To amend the Foreign Trade Zones Act to renew the existing customs exemption applicable to bicycle parts not reexported in foreign trade zones.



National Association of Foreign-Trade Zones

INTERNATIONAL SQUARE SUITE 400 1825 EYE STREET, N.W. WASHINGTON, D.C. 20006
TELEPHONE (202) 429-2020 FAX (202) 659-6848 TELEX 440557

May 31, 1989

Congressman Dan Rostenkowski
Chairman
Committee on Ways & Means
1102 Longworth House Office Bldg.
Washington, D.C. 20515

RE: H.R. 1785

Dear Chairman Rostenkowski:

The National Association of Foreign-Trade Zones appreciates the opportunity to comment on H.R. 1785, which would continue the prohibition on manufacture of bicycles under foreign-trade zone procedures. The Association opposes the enactment of H.R. 1785.

In our view, the continuation of the prohibition on zone manufacture of bicycles would not assist the domestic bicycle parts industry or its customers, the bicycle manufacturers. Indeed, we think that the existence of this provision hastened the departure of significant domestic production capacity for bicycles, and contributed to the marked increase in imports of finished bicycles. Foreign-trade zone use would create the potential of retaining U.S.-based production.

We also believe that the statutory prohibition on bicycle manufacture under zone procedures is an unfortunate precedent that is damaging to the foreign-trade zone program, and to the potential for constructive use of foreign-trade zones consistent with the public interest in promoting jobs and investment in the U.S. as opposed to overseas.

For these reasons, the National Association of Foreign-Trade Zones opposes the statutory prohibition and its continuation that would occur with the enactment of H.R. 1785.

Very truly yours,

Dennis J. Curran

Dennis J. Curran
President

H.R. 1789

To suspend temporarily the duty on D Salt.

No statements submitted.

H.R. 1790

To suspend temporarily the duty on anis base.

No statements submitted.

H.R. 1791

To suspend temporarily the duty on naphthol AS types.

See contents pages for statements on this bill.

H.R. 1792

To temporarily suspend the duty on theobromine.

No statements submitted.

H.R. 1793

To temporarily suspend the duty on chlorhexanone.

No statements submitted.

H.R. 1794

To suspend temporarily the duty on Broenner's acid.

No statements submitted.

H.R. 1795

To suspend temporarily the duty on Neville and Winter's acid.

No statements submitted.

H.R. 1814

To suspend temporarily the duty on Teicoplanin.

H.R. 1815

To suspend temporarily the duty on Ornithine.

Comments On H.R.1814 & H.R.1815
Subcommittee On Trade
House Committee On Ways And Means

Merrell Dow Pharmaceuticals Inc. supports the enactment of H.R.1814 and H.R.1815 which provide for the duty suspension of two pharmaceutical active ingredients until December 31, 1992. A brief description of each product is as follows:

Teicoplanin

Teicoplanin is an active ingredient that will be used in the manufacture of the ethical pharmaceutical product (prescription drug) that will be sold under the trademark Tergocid. The product is an antibiotic that will be used to prevent and treat staph infections.

Over the last five years we have imported very small quantities of teicoplanin for clinical purposes. We have imported vials containing approximately 50 kilos of teicoplanin at an overall cost to Merrell Dow of about $3,000.00. Over the next three years (1990-1992 inclusive) we plan to import vials containing approximately 60 kilos at an overall cost of about $3,500.00. Since the duty rate is 3.7%, the projected revenue loss to the U.S. would be a total of about $130.00 for the three year period. The above figures are small because, as stated, the F.D.A. has not yet approved the product for sale here in the U.S. Once the product is approved, we anticipate that commercial quantities for the first full year of marketing will cost about $10 million. Hence the lost duty revenues to the U.S. for the first full year of marketing will be about $370,000.00.

Ornithine Ethyl Ester

Ornithine ethyl ester is an active ingredient that will be used in the manufacture of the ethical pharmaceutical product (prescription drug) that will be sold under the trademark Ornidyl. The product is for the treatment of Pneumocystis Carinii Pneumonia (a type of pneumonia that is the immediate cause of death for many AIDS victims) and Trypanosomiasis Gambiosi (West African Sleeping Sickness).

Over the last five years we have imported approximately 8,500 kilos of ornithine ethyl ester at an overall cost of $425,000.00. Over the next three years (1990-1992 inclusive) we plan to import approximately 32,000 kilos at an overall cost of about $1,440,000.00. Since the duty rate is 3.7%, the projected revenue loss to the U.S. would be a total of $53,280.00 for the three year period.

Neither of these two products has as yet been approved by the U.S. F.D.A. for sale in the United States. It is anticipated, however, that approval will be forthcoming before December 31, 1992.

The following comments apply equally to both of the above listed active ingredients:

(1) To the best of our knowledge, neither of these active ingredients is manufactured within the United States by any third party manufacturer.

(2) It is anticipated that there will certainly be exports of the finished product containing ornithine ethyl ester, but it is too early to estimate projected volumes.

(3) The need to enact the duty suspension is vital to ensure Merrell Dow's continued competitiveness.

(4) The European Economic Community, from which teicoplanin is imported, continues to allow duty suspension on probucol, which is produced exclusively by us in the U.S. and exported to Europe and the rest of the world.

(5) There is, to the best of our knowledge, no opposition to the proposed passage of duty suspension legislation for these products.

In summary, we support H.R.1814 and H.R.1815 and urge its speedy enactment.

Philip G. Ellsworth
Director, Government and
Industry Policy Planning
Merrell Dow Pharmaceuticals Inc.
Cincinnati, OH 45242-9553

Washington, D.C. Contact:

Donna Akers Harman
(202) 429-3429

H.R. 1817

To suspend temporarily the duty on chemical light activator blend.

ALEX McMILLAN
9TH DISTRICT
NORTH CAROLINA

COMMITTEE ASSIGNMENT
ENERGY AND COMMERCE
COMMITTEE

Congreſs of the United States
House of Representatives
Washington, DC 20515

May 17, 1989

The Honorable Sam Gibbons
Subcommittee on Trade
Committee on Ways and Means
1136 Longworth
INSIDE MAIL
Washington, D.C. 20515

Dear Sam:

I am writing in strong support of HR 1817 which I recently introduced to temporarily suspend the duty on chemical light activator blend.

American Cyanamid Company uses the chemical light activator blend in the manufacture of a chemiluminescent product in Charlotte, N.C. Currently, there is no domestic U.S. producer of chemical light activator blend and American Cyanamid imports the blend from Peroxid Chemie of West Germany.

The end product is a chemical lightstick designed to provide safe illumination for up to 12 hours. American Cyanamid considers this to be a significant growth sector of their business with concentrations in highway safety, consumer products, commercial fishing products, safety vests and military applications. (see enclosed sample)

The current duty rate of 17.7% plus $.002/kg can only be viewed as an extra cost being passed along to the consumer and the military since there is no domestic supplier receiving any benefit from the imposition of the duty.

I would respectfully urge you and the Members of the Committee on Ways and Means to include HR 1817 in your final miscellaneous tariff bill this year.

With warm regards.

Sincerely,

Alex McMillan
Member of Congress

H.R. 1818

To suspend temporarily the duty on 2,4-Diamino-6-phenyl-1,3,5-triazine.

No statements submitted.

H.R. 1821

To provide duty-free treatment for certain menthol feedstocks.

**BROWN & WILLIAMSON
TOBACCO CORPORATION**

THOMAS HUMBER
Director
Government Affairs

May 30, 1989

Mr. Robert J. Leonard, Chief Counsel
Committee on Ways & Means
1102 Longworth House Office Bldg.
Washington, D.C. 20515

Dear Mr. Leonard:

We understand that the Committee on Ways and Means has requested written comments on certain tariff and trade bills (Subcommittee on Trade, Release #10, May 3, 1989). I'm writing to express Brown & Williamson Tobacco Corporation's strong support for HR 1821, which provides duty-free treatment for certain menthol feedstocks.

Menthol is a critical ingredient in many of our cigarettes, including KOOL, B&W's flagship brand.

Haarmann & Reimer Corporation is the only menthol manufacturer in the U.S. and has provided American users with both a stable price and a reliable source. Prior to H.& R's entry into the market, B&W was totally dependent on foreign imports of menthol, subject to wide swings in pricing and availability.

Menthol feedstocks are not produced in the U.S. and must currently be imported at a very high rate of duty. Removal of this duty will help preserve the American menthol industry and continue a reliable and affordable source.

Again, we support HR 1821 and appreciate the opportunity to offer this comment. If we can add further to Committee deliberations, please do not hesitate to call.

Cordially,

em/0202p

1500 BROWN & WILLIAMSON TOWER, P.O. BOX 35090, LOUISVILLE, KY 40232, (502) 568-7934
TELECOPIER: 568-7494

COLGATE-PALMOLIVE COMPANY

300 Park Avenue
New York, NY 10022
Telephone 212-310-2239

Harold Obstler
Vice President
General Counsel
Secretary

June 1, 1989

Robert J. Leonard, Chief Counsel
Committee on Ways & Means
1102 Longworth House Office Bldg.
Washington, D.C. 20515

Re: H.R. 1821: To provide duty-free treatment for certain menthol feedstocks.

Dear Mr. Leonard:

This is in response to the Committee's request (Subcommittee on Trade, Release #10, May 3, 1989) for written comments on certain tariff and trade bills. I am writing to express our company's strong support for H.R. 1821: a bill to provide duty-free treatment for certain menthol feedstocks.

As a major American consumer of menthol, Colgate-Palmolive Company is highly dependent on a stable American menthol market. Menthol is a key ingredient in virtually all of our oral care products. It is our understanding that menthol feedstocks, an ingredient essential to the manufacture of synthetic menthol, is not produced in the U.S. and must be imported at a high rate of duty. We urge the Committee to remove this duty to promote the domestic manufacture of synthetic menthol and to maintain a reliable and affordable source for U.S. industry. A stable American menthol market benefits consumers of mentholated products in the form of lower prices and helps to reduce the dependence of companies such as Colgate on imported menthol.

Thank you for the opportunity to offer our comments. If you have any questions please feel free to contact me.

Sincerely,

Harold Obstler

HO/scm
cc: Rep. Sam Gibbons
Nancy Adams, USTR
Barbara Steinboch, ITA

70 Diamond Road, P.O. Box 175, Springfield, New Jersey 07081-3119

H&R

Haarmann & Reimer Corp.

May 24, 1989

Robert J. Leonard, Chief Counsel
Committee on Ways & Means
1102 Longworth House Office Bldg.
Washington, D.C. 20515

Re: H.R. 1821: To provide duty-free treatment for certain menthol feedstocks.

Dear Mr. Leonard:

This is in response to the Committee's request (Subcommittee on Trade, Release #10, May 3, 1989) for written comments on certain tariff and trade bills. I am writing to express our firm's strong support for H.R. 1821: a bill to provide duty-free treatment for certain menthol feedstocks.

Haarmann & Reimer Corp.(H&R), a U.S. company headquartered in Springfield, N.J. is the only manufacturer of menthol in the United States. H&R is seeking this permanent suspension of the duty on menthol feedstocks (HTS 2906.14) to remain competitive with foreign producers.

This legislation was introduced in the House (HR-1821 to the Committee on Ways & Means) on April 12th by Congressman Ravenel (SC). Similar legislation (S-756 to the Committee on Finance) has been introduced in the Senate by Senators Bradley (NJ) and Thurmond (SC). Both HR-1821 and S-756 would provide permanent duty-free treatment for menthol feedstocks. This duty imposes an unnecessary economic burden on our firm by increasing our production costs.

A temporary suspension on menthol feedstocks has been in effect since 1984. Originally approved as part of the "Miscellaneous Tariff Act of 1984", this temporary status was extended in the Omnibus Trade Act of 1988 through December of 1990.

These feedstocks are used to produced synthetic menthol. Menthol is a substance critical to the production of mentholated products, such as toothpaste, confectionery, oral hygiene, ointments and salves. Since 1978 when H&R began menthol production in the U.S., there has been no domestic source for these raw materials. Therefore, the current duty affords no protection to any chemical manufacturer in the United States. Moreover, because these raw materials (feedstocks) have no other commercial use in the U.S. there has been no objection to the

Telephone: (201) 686-3132 Telefax: (201) 467-3514
Cable: IONONE, Springfield, N.J./Telex:219 134 HAR UR

temporary suspension from U.S. industry.

Prior to 1978, the U.S. menthol market was served entirely by imports and was subject to wide swings in availability and pricing. The presence of H&R in the domestic market has reduced imports to 55% of the U.S. market and stabilized the price and availability to the consumer.

Because H&R is a major exporter of menthol and receives duty drawback on exports, the revenue impact of a permanent suspension on menthol feedstocks would be minimal. For example, since 1977 H&R has paid $3.2 million in duty for the importation of menthol feedstock. This period includes the four year suspension of duty (1985-88). However, through duty drawback H&R has recovered $2.8 million, or 90% of the duty paid.

For 1991, the year after the current duty suspension expires, the amount of feedstock imports projected by H&R would carry a duty of $700,000. Again, because of exports H&R would obtain a duty drawback of $615,000, or 88% of the total. Therefore, the net duty paid would be only $85,000 per year.

Because the duty affords no protection to any U.S. industry or manufacturer and there are no domestic producers of menthol feedstocks, H&R believes that a permanent duty suspension is warranted and urges passage of H.R. 1821. A permanent suspension will allow H&R to remain competitive with foreign producers in the U.S. and will help preserve the American menthol industry.

Thank you for the opportunity to present our comments. If you have any questions you can contact me at (201) 686-3132 or Jim Smith in Washington at 835-0740.

Sincerely,

K. Thomas Yamashita, Vice President
Aroma Chemicals Division

PHILIP MORRIS
U.S.A.
P.O. BOX 26603, RICHMOND, VIRGINIA 23261 TELEPHONE (804) 274-2000

May 25, 1989

Robert J. Leonard, Chief Counsel
Committee on Ways & Means
1102 Longworth House Office Bldg.
Washington, DC 20515

Re: H.R. 1821:
To provide duty-free treatment for certain menthol feedstocks

Dear Mr. Leonard:

This is in response to the Committee's request (Subcommittee on Trade, Release #10, May 3, 1989) for written comments on certain tariff and trade bills. I am writing to express our company's strong support for H.R. 1821: a bill to provide duty-free treatment for certain menthol feedstocks.

As a major American consumer of synthetic menthol, Philip Morris USA, is highly dependent on a stable American menthol market. Menthol is an essential ingredient to many of the cigarettes we manufacture.

Since 1978, Haarmann & Reimer Corp., the only menthol manufacturer in the United States, has provided American users with both a stable price and reliable source. Prior to H&R's entry to the market, our company was 100% dependent on foreign imports of menthol.

Finally, it is our understanding that menthol feedstocks, an ingredient essential to the manufacture of synthetic menthol, is not produced in the U.S. and must be imported at a very high rate of duty. Therefore, we urge the Committee to remove this duty in order to preserve the American menthol industry and to maintain a reliable competitive source for U.S. industry and consumers.

Thank you for the opportunity to offer our comments. If you have any questions, please feel free to contact me.

Sincerely,

Frederick W. Forsmark

Frederick W. Forsmark
Purchasing Manager

FWF/mj

MARLBORO BENSON & HEDGES MERIT VIRGINIA SLIMS PARLIAMENT LIGHTS PLAYERS SARATOGA CAMBRIDGE ALPINE MULTIFILTER

THE PROCTER & GAMBLE COMPANY
GENERAL OFFICES
2 PROCTER & GAMBLE PLAZA, CINCINNATI, OHIO 45202-3314

May 26, 1989

Mr. Robert J. Leonard, Chief Counsel
Committee on Ways & Means
1102 Longworth House Office Bldg.
Washington, D.C. 20515

Re: H.R. 1821: To Provide Duty-Free Treatment for Certain Menthol Feedstocks

Dear Mr. Leonard:

This is in response to the Committee's request (Subcommittee on Trade, Release #10, May 3, 1989) for written comments on certain tariff and trade bills. I am writing to express our company's strong support for H.R. 1821: a bill to provide duty-free treatment for certain menthol feedstocks.

As a major American consumer of synthetic menthol, Procter & Gamble is highly dependent on a stable American menthol market. Menthol is an essential ingredient to many of the products we manufacture, including oral care products.

Since 1978, Haarmann & Reimer Corp., the only menthol manufacturer in the United States, has provided American users with both a stable price and reliable source. Prior to H&R's entry to the market, our company was 100% dependent on foreign imports of menthol. As such, we experienced wide swings in pricing and availability, which in turn, made it difficult to provide our customers and the American consumer with reliable and affordable mentholated products. With an American source now available, we have reduced our menthol imports by a majority portion and the price of menthol has remained constant and affordable.

Finally, it is our understanding that menthol feedstocks, ingredients essential to the manufacture of synthetical menthol, are not produced in the U.S. and must be imported at a very high rate of duty. Therefore, we urge the Committee to remove this duty in order to preserve the American menthol industry and to maintain a reliable and affordable source for U.S. industry and consumers.

Thank you for the opportunity to offer our comments. If you have any questions, please feel free to contact me.

Sincerely,

David J. Elliott/jae

David J. Elliott
Associate Director
International Trade

DJE/je

H.R. 1822

To suspend temporarily the duty on anthraquinone (AQ).

WRITTEN STATEMENT ON BEHALF OF MOBAY CORPORATION
CONCERNING H.R. 1822
MICHAEL W. JOSEPHIC, PRODUCT MANAGER AND
PAUL G. GEMEINHARDT, DIRECTOR, COMMUNICATIONS & ADVOCACY FOR
CHEMICAL INDUSTRY ISSUES

STATEMENT

Mobay Corporation, a member of the Bayer USA, Inc. group whose parent company is Bayer AG of Leverkusen, West Germany, is headquartered in Pittsburgh, PA. Since its formation in the early 1950s, Mobay has become a diversified manufacturer of chemical intermediates and polymeric resins. We supply products to broad areas of U.S. industry having need for polyurethane raw materials and polymers, agricultural chemicals, dyestuffs, pigments, plastic resins, coating ingredients, textile fibers and industrial chemicals.

While most of the products supplied to U.S. industry are produced domestically, we do import some chemicals for use in our own manufacturing operation or for direct distribution in the U.S. when the size or demand in the American market does not justify domestic production. Anthraquinone (AQ) is one of those chemicals imported and prepared for the market at Mobay's Bushy Park plant in Charleston, SC.

The chemical arrives at the plant as a dry powder where it is processed into a fluid dispersion with 50 percent solids. The dispersed product is then distributed primarily to the pulping operations of the domestic paper manufacturing industry. AQ is not manufactured in the United States. The principal source is Bayer in West Germany, with smaller sources in Asia.

Over the past several years, anthraquinone has proven conclusively to be a valuable management tool in pulp mills around the world. Two of its specific chemical functions result in increased productivity in such applications. First, it acts as a catalyst to accelerate the delignification reaction or chemical breakdown of the wood, and secondly, it increases pulp yields by suppressing the peeling reaction, which protects the cellulose portion of the pulp from degradation during the cooking process.

Basically, the use of anthraquinone in the pulping operation permits higher capacity in the operation. This has been particularly critical for the U.S. paper industry over the past several years due to extremely high operating levels. No other chemical substitute for anthraquinone exists, the only alternative is capital expansion of pulp producing mills.

The benefit of increased pulp yields result in reduced tree consumption. An additional benefit is reduced usage of other pulping chemicals, such as active alkali and sulfides, without affecting the quality of the pulp. This leads to significant reductions in air and water emission loads which are good for the environment.

The waiving of duty on anthraquinone will greatly benefit the paper manufacturing industry by providing for increased productivity and improved economy of converting wood cellulose to pulp in the paper making process. The ultimate beneficiary of the higher productivity and economic saving will be the consumer. At the sametime, the U.S. paper industry's competitive position in domestic and foreign markets will be enhanced. The environment will also benefit because of reduced air and water emission loads resulting from the need for lower quantities of pulping chemicals.

The Committee is urged to give favorable treatment to this requested temporary duty suspension by approving H.R. 1822.

Thank you for considering these views. Please call M. Josephic (412/777-4663) or P. Gemeinhardt (412/777-4875) if additional information is needed.

H.R. 1824

To extend until December 31, 1994, the existing temporary suspension of the duty on dinocap and on mixtures of dinocap with application adjuvants.

No statements submitted.

H.R. 1825

To extend until December 31, 1994, the existing temporary suspension of the duty on triethyleneglycol dichloride.

No statements submitted.

H.R. 1826

To extend until December 31, 1994, the existing temporary suspension of the duty on mixtures of maneb, zineb, mancozeb and metiram.

No statements submitted.

H.R. 1827

To extend until December 31, 1994, the existing temporary suspension of the duty on methylene blue.

No statements submitted.

H.R. 1828

To extend until December 31, 1994, the existing temporary suspension of the duty on 2-n-octyl-4-isothiazolin-3-one, and on mixtures of 2-n-octyl-4-isothiazolin-3-one and application adjuvants.

No statements submitted.

H.R. 1829

To extend until December 31, 1994, the existing temporary suspension of the duty on 3-amino-3-methyl-1-butyne.

No statements submitted.

H.R. 1830

To extend until December 31, 1994, the existing temporary suspension of the duty on m-Hydroxybenzoic acid.

No statements submitted.

H.R. 1831

To extend until December 31, 1994, the existing temporary suspension of the duty on 1,1-bis(4-chlorophenyl)-2,2,2-trichloroethanol (dicofol), and on mixtures of dicofol and application adjuvant.

No statements submitted.

H.R. 1832

To extend until December 31, 1994, the existing temporary suspension of the duty on mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one, 2-methyl-4-isothiazolin-3-one, magnesium chloride and stabilizers, whether or not containing application adjuvants.

No statements submitted.

H.R. 1833

To extend until December 31, 1994, the existing temporary suspension of the duty on crosslinked polyvinylbenzyl-trimethylammonium chloride (Cholestyramine resin USP).

No statements submitted.

H.R. 1834

To extend until December 31, 1994, the existing temporary suspension of the duty on mixtures of mancozeb and dinocap.

No statements submitted.

H.R. 1837

To amend the Harmonized Tariff Schedule of the United States to suspend the duties on certain infant nursery monitors and intercoms.

Fisher-Price

Bruce Sampsell
President

May 25, 1989

The Honorable Dan Rostenkowski, Chairman
U. S. House of Representatives
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Rostenkowski:

Fisher-Price, Division of The Quaker Oats Company, is in full support of H.R. 1837, introduced by Representative David Skaggs, providing for the temporary suspension of duties on certain nursery monitors.

Fisher-Price, headquartered in East Aurora, New York, employs over 8,900 in the United States and is a leading manufacturer of children's products. The company, with four United States manufacturing facilities, is committed to domestic manufacture, importing only those items which cannot be produced at competitive prices in the United States.

The temporary suspension of duty for nursery monitors provided for in H.R. 1837 should allow Fisher-Price and other U.S. companies to reduce retail prices. Lower prices would benefit both U.S. consumers, who have come to rely on these safety devices, and U.S. companies and their employees.

Nursery monitors are not produced in the United States. There is no U.S. industry to protect. Suspension of duties on packaged nursery monitors is, therefore, in the public interest and fully supported by Fisher-Price and our corporate parent, The Quaker Oats Company.

I hope we may count on your support.

Sincerely,

Before the
House Ways and Means Committee's
Subcommittee on Trade

STATEMENT OF GERICO INC. IN SUPPORT OF H.R. 1837, A BILL TO AMEND THE HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES TO SUSPEND THE DUTIES ON CERTAIN INFANT NURSERY MONITORS AND INTERCOMS

Gerico Inc., a subsidiary of Huffy Corporation, is pleased to file this statement in support of H.R. 1837, the bill introduced by Representative David Skaggs which would provide for the temporary suspension of the regular customs duties on certain infant nursery monitors and intercoms. H.R. 1837 is substantively identical to H.R. 4679, which Congressman Skaggs introduced last year. H.R. 4679 received favorable action from the full Ways and Means Committee last year, but the omnibus miscellaneous tariff bill to which it was attached (H.R. 4333) failed to receive full congressional consideration before the end of the 100th Congress.

Gerico, based in Denver, Colorado, is a leading manufacturer of baby and juvenile products. The company employs approximately 400 people at facilities in three separate Colorado locations. The vast majority of the company's products are manufactured in these U.S. facilities. As a matter of corporate policy, the company imports only those parts of its total product line that it cannot manufacture domestically and sell at a competitive price.

One of Gerico's leading products is a line of infant nursery monitors and intercoms sold under the Gerry brand. These are small radio transmitters and receivers that allow a parent to monitor an infant or small child's activity from another location in the home. The intercom device actually consists of a pair of transceivers — that is, transmitter/receiver combinations — that permit the parent not only to monitor, but also to converse with the infant or child when necessary. None of the companies currently selling these products in the United States — which include Fisher-Price, Sony, Nasta, Cosco, and Playskool, in addition to Gerico — manufacture the products domestically; all are manufactured in various Far Eastern countries. Industry surveys put the 1988 U.S. market for these devices at approximately one million units with a wholesale value of $28 million. Gerico estimates that import duties paid on imported monitors and intercoms accounted for approximately $600,000 in 1988.

Prior to 1989, the nursery monitor that Gerico imports was assessed duty on its three individual components, which consist of a radio transmitter, a receiver, and an electrical adapter. Last year's bill, H.R. 4679, reflected this practice. With the implementation of the Harmonized Tariff Schedule this past January, however, these monitor systems are now treated as "sets" classified under a single HTSUS subheading (8527.90.80, "other reception apparatus for radiobroadcasting"). The applicable regular tariff is six percent. Gerico's nursery intercom, which consists of two transceivers and an electrical adapter, was also subjected to compound duties prior to 1989. With the advent of the Harmonized System, this intercom system, like Gerico's nursery monitor, is now being classified as a "set," in this case under HTSUS subheading 8525.20.20 ("low-power radiotelephonic transceivers operating on frequencies from 49.83 to 49.90 MHz") and is dutiable at a flat 2.4 percent.

When H.R. 1837 was originally introduced by Representative Skaggs (at Gerico's request), the bill assumed that classification of nursery monitors and intercoms under the Harmonized System would take the same basic approach as under the former Tariff Schedules — that is, that the systems would be treated for tariff purposes as collections of individual components subject to separate tariff rates, rather than as "sets" or "entireties" subject to a unitary tariff rate. General Rule of Interpretation 3 under the Harmonized System now makes clear, however, that such compound tariffs are no longer permissible, and that systems consisting of separate components, like Gerico's nursery monitors and intercoms, must be subjected to a unitary tariff as a "set." Accordingly, Gerico trusts that the Trade Subcommittee or full Ways and Means Committee will, during markup, modify section 1 of H.R. 1837 by correcting the HTSUS subheading cross-references contained in proposed HTSUS subheadings 9902.85.25 and 9902.85.26. Proposed subheading 9902.85.25 should cross-reference only existing subheading 8527.90.80, and proposed subheading 9902.85.26 should cross-reference only regular HTSUS subheading 8525.20.20.

By its terms, H.R. 1837 would suspend the duties only on "infant nursery monitor systems" and "infant nursery intercommunication systems" consisting of designated components. Clearly, not every device consisting of a radio transmitter, an electrical adapter, and a radio receiver classifiable under the specified HTSUS numbers, or every article consisting of a pair of transceivers operating within the specified frequencies and packaged with an electrical adapter, will qualify for duty-free treatment under proposed HTSUS items 9902.85.25 and 9902.85.26, respectively. Rather, the proposed statutory language would confine the duty suspension to monitors and intercommunication devices chiefly used as infant nursery monitors and intercoms, respectively. Gerico believes that it and other U.S. companies importing these devices should be able to demonstrate readily that their products are, in fact, commonly or usually used to monitor (or monitor and communicate with) children. 1/ This should be reasonably obvious from the trade dress of the article, but could in any event be readily demonstrated by evidence of advertisements, patterns of distribution, etc.

The most common subjects of temporary duty suspension legislation have been chemicals and other materials used as inputs by U.S. manufacturing industries. The principal rationale of such duty suspension bills is that elimination of the duties on raw materials or production components not manufactured in the United States promotes U.S. manufacturing of finished products containing those inputs. Such a rationale does not apply in the case of H.R. 1837, inasmuch as nursery monitors and intercoms are uniformly imported by Gerico and its competitors in finished condition, ready for sale to the consumer.

Nevertheless, Gerico believes that the temporary duty suspensions that H.R. 1837 would implement are in the public interest. First, elimination of these unnecessary duty costs should allow Gerico and other companies to reduce their retail prices for these devices. This should increase sales of the nursery monitors and intercoms — to the benefit of Gerico, competing U.S. companies and their respective workers — and provide consumers with increased value for their purchase dollars. Congress adopted this rationale in passing a series of bills that have temporarily suspended the regular duties on clock radios. Like nursery monitors and intercoms, clock radios are not manufactured in the United States. In order to benefit U.S. consumers and companies marketing clock radios imported in finished condition, Congress suspended the regular duty on such products in 1983 and again in 1984 and 1988. 2/ While the principal U.S. supplier of clock radios was only able initially to provide statements of its intention to lower its prices to retailers in response to the elimination of the duty, the company was ultimately able to demonstrate that the duty suspension contributed to retail price declines between the initial suspension of the duty in 1983 and its first renewal the following year. Obviously, Gerico cannot speak for the entire U.S. industry, but the company is confident that it, for its own part, will be able to justify renewal of the temporary suspension after its expiration in 1996 on the basis of a clear pattern of cost savings passed on to the U.S. consumer. 3/

Moreover, unlike clock radios, nursery monitors and intercoms serve an important safety function. Gerico is continually receiving letters and calls from owners of its monitors attesting to the devices' being instrumental in allowing parents to come to the aid of their children in cases of fire, break-in, choking and other hazards. Samples of these letters, with the names and addresses of the senders deleted to protect their privacy, are attached. Nursery monitors and intercoms can be credited with an important role in the improvement of child care and safety. To the extent H.R. 1837 would

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1/ The use of the term "infant nursery" should not be taken as requiring proof that the monitoring half of the unit is ordinarily placed in a particular room in the home (*i.e.*, the nursery). Rather, the modifying phrase "infant nursery" should be recognized as limiting the eligible products to intercoms and monitors marketed for use in supervising young children in and about the home.

2/ *See* Pub. L. No. 97-446, § 145, 96 Stat. 2329, 2343 (1983); H.R. 98-573, § 161, 98 Stat. 2948, 2965 (1984). *See also Miscellaneous Tariff and Trade Bills: Hearings and Written Comments Before the Subcomm. on Trade of the Comm. on Ways and Means*, 98th Cong., 1st & 2d Sess. 12-14, 229-30 (1984). Section 1804 of the Omnibus Trade and Competitiveness Act of 1988 renewed the provision (now contained in HTSUS subheading 9902.85.27, through the end of 1990.

3/ Indeed, Gerico reduced its nursery monitor and intercom prices by about five percent in 1989, partly in anticipation of H.R. 1837 becoming law.

allow more of these devices to reach American households at reduced cost, the bill will doubtless contribute to the safety of many more children in the future.

In conclusion, Gerico urges the Subcommittee on Trade to report H.R. 1837 favorably. The products covered by the legislation are simply not manufactured in the United States, and there is therefore no U.S. industry for which tariff protection is warranted. Elimination of this unnecessary protection would be in the best interests of the U.S. companies marketing these products and American consumers. In short, H.R. 1837 is in the public interest, and Gerico looks forward to its consideration and enactment at the earliest practicable time.

Respectfully submitted,

Michael R. Kershow

MICHAEL R. KERSHOW

Counsel to Gerico Inc.

July 26, 1988

Gerry Baby Products Co.

I just wanted to let you know how happy I am with your Nursery monitor. It was definitely one of the best items I got for my baby and myself.

Not only does it keep me in constant contact with my daughter but it also proved to be benefitical in my health.

On July 16th, 1988 my family had gathered for a picnic at my home. I decided to go upstairs and get a change of clothes for my Sister and while upstairs I Suffered a seizure. I was unconscious and totally helpless. My sister heard the choking noises I was apparently making over the intercom system and rushed up to see what happened. She was able to keep me from sustaining further injury and get help for me immediately. Without your monitor system and her quick reaction I could have choked to death or been severely injured. That same evening while we were in the hospital emergency room we discussed what a godsend the monitor had turned out to be and that we wanted you to know.

Along with the freedom it allows me while my baby sleeps I also am comfortable knowing I can depend on it. It works so well I can even hear the crickets + birds out the nursery window.

I have told all my friends (before the seizure) How much I thought of it and give it as gifts often. Now I have even more reason for promoting it.

Thank You

Durand Wis.

7-30-86

7-25-86

Dear, Mr. Wilkey, July 86

I am a 25 year old mother of a 2 year old (beautiful) daughter! Ashlee

The reason I am writting you this letter is to let you know that I truly believe that your "baby intercom" saved our lives. On Friday June 13 at 11:00 pm my daughter + I were alone in our house. a man was breaking in thru our daughters window, the intercom was luckily in her window. Therefor I heard the man + was able to stop him. Unfortunately they didn't catch him, but at least he didn't get us. For this we truly thank-you.

Garland Texas

[redacted]

Kendallville, In
Jan 1, 1988

Dear Sirs:

What better way to start the new year out, than to do it with a compliment. I want you to know how great your "Baby Intercom Transmitter" is. Best thing for young mothers since the disposable diaper.

My husband + I kept our great grandson over night New years Eve. Our granddaughter brought along his "Intercom". What a blessing and "peace of mind." We were in our bedroom, he in his and we could hear any move he made when he was awake, even his breathing when he was asleep. I was really impressed.

We are 65 and 67 years old, so we really did appreciate not having to get up every few minutes and check him out.

Whoever invented this sure gets my vote of thanks.

Sincerely,

1-12-87

Ⓟ 602

Gerry Baby Products
12520 Grant Drive
Denver, Colorado 80233

Dear sirs:

I would like to thank you and praise you on your baby monitor. I purchased one about a month ago when I was expecting my 1st baby. It was the best purchase I ever made.

We live in a trailer and my husband thought that a monitor was unnecessary since everything is in such close quarters. You usually can hear what is going on in the next room at any time. I use my monitor day and night. One day my baby was asleep in his crib. During his sleep he vomited and began choking. The sounds, he was making, were so quiet that there was no way you could have heard them without the monitor. Without the monitor I never would have reached him in time (He was already blue.) and he would probably have died.

Your product saved my baby from brain damage and death. I really can't thank you as much as I should. I owe you one. Thanks so very much.

Sincerely,

Dear Gerry Inc. April 16, 1988

I want to write and thank you for such an excellent baby product. You see 3 days ago we almost lost our 4 year old son. He had slipped feet first off the top bunk catching his neck between the bed and guard rail strangling him. I heard him moaning thru our 6 week old daughter's monitor. Had I not had the monitor he would have died. He is now in Good Conditi and will suffer no permanent damage Praise the Lord!!! As soon as I can afford to I am buying another monitor for my two sons room. I'd rather be safe than sorry. I'm sold on your product and will recommend it to those I know. With great thanks!

Sincerely,

RECEIVED JUN 27 1988

June 22nd, 1988

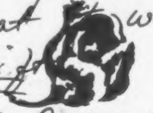
"You saved my son's life"

Gerry Baby Safetronics Service
12520 Grant Drive
Denver, Colorado 80233

Dear Gerry:

I received your Baby Intercom when my son Alexander was born July 4th 1987.

Well, what I am writing to tell you is that was one of the best gift anyone could have given me.



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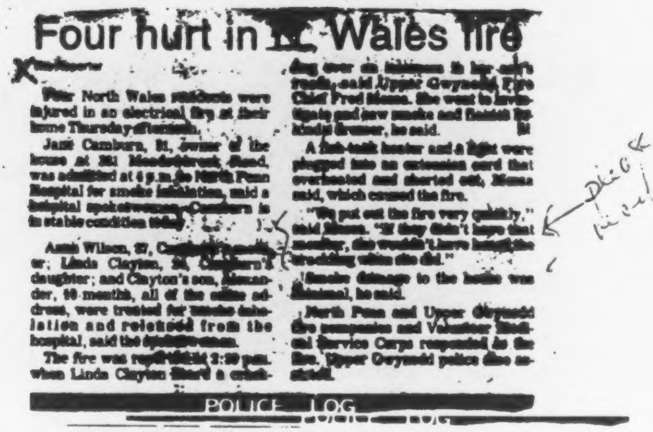
NEWSPAPER ARTICLE ENCLOSED!

On May 5th, 1988 I had just put my son in for a nap. An ½ hour went by and I heard Crackling noises on my baby monitor. Much to my surprise, I found out there were flames shooting out behind the baby's dresser!

Well, needless to say your monitor saved my son's life!!

Thank you So Much Gerry!!

Sincerely,



Four hurt in [illegible] Wales fire

X [illegible]

Four North Wales residents were injured in an electrical fire at their home Thursday afternoon.

Jane Camburn, [illegible], owner of the house at [illegible] Meadowbrook Road, was admitted at 4 p.m. to North Penn Hospital for smoke inhalation, said a hospital spokeswoman. Camburn is in stable condition today.

Anna Wilson, 27, Camburn's [illegible]; Linda Clayton, [illegible], Camburn's daughter; and Clayton's son, Alexander, 10 months, all of the same address, were treated for smoke inhalation and released from the hospital, said the spokeswoman.

The fire was reported at [illegible] p.m. when Linda Clayton heard a crackling over an intercom in her son's room, said Upper Gwynedd Fire Chief Fred Moses. She went to investigate and saw smoke and flames behind a dresser, he said.

A fish-tank heater and a light were plugged into an extension cord that overheated and shorted out, Moses said, which caused the fire.

"We put out the fire very quickly," said Moses. "If they didn't have that monitor, she wouldn't have heard the crackling when she did."

Smoke damage to the house was minimal, he said.

North Penn and Upper Gwynedd fire companies and Volunteer Medical Service Corps responded to the fire. Upper Gwynedd police also assisted.

POLICE LOG

— please read

— please read

Nacogdoches, TX
February 5, 1988

Gerry Baby Safetronics
Service/Warranty Centers
12520 Grant Drive
Denver, Colorado 80233

Dear Sirs;

We received your monitor as a baby gift when our twins were born in October 1987. We want to let you know how pleased we are with your monitor. It saved our family and house. The night after Thanksgiving at 4:00 a.m. our house caught on fire due to bad wiring in the house. The fire started in the babies room in the socket where the transmitor was plaugged in. The transmitor went out when the wire burnt in half therefor I got a static noise on the receiver. We got up and found a fire in the wall. We grabbed the babies and our 31/2 yr. son, called the fire department and was out of the house and in the front yard before the fire alarms went off. The Fire Chief latter told us if we had waited for the fire alarms we would have lost 60-70% of our house and possibly could not have gotten to the babies.

We have since bought a second monitor because it seems that this one messed up when the wires burnt. It does not work as well as it use to. You can hear the babies in the room and not on the monitor. Please check this for me and if it can be fixed please do so.

At first we did not believe that it would be very good. But as time passed we learned how sensitive it is. We could hear the babies breathing we could even hear the door scrap across the carpet when we would go in to check on them. We do not trust the monitor a 100% I still feel I have to check on them often , but it is an added comfort to know that when I need to fold clothes or wash dishes the monitor is there when I'm not.

Your product saved our family and our house. Thank you.

Sincerely,

H.R. 1838

To extend the temporary suspension of duty on d-6-Methoxy-a-methyl-2-naphthaleneacetic acid and its sodium salt.

STATEMENT OF PURPOSE

SYNTEX (U.S.A.) INC.

H.R. 1838

Background

d-6-Methoxy-a-methyl-2-naphthaleneacetic acid ("naproxen") and its sodium salt ("naproxen sodium") are proprietary pharmaceutical chemicals used in the production of non-hormonal analgesic, anti-inflammatory prescription drugs, known as Naprosyn and Anaprox. These pharmaceutical chemicals are currently manufactured in the Bahamas, Mexico and Ireland and are actually the final stage in a series of chemical reactions.

For supply to the Bahamas, the first stage occurs in Springfield, Missouri, and the second stage of manufacture is conducted in Boulder, Colorado, prior to export. In the Bahamas, this precursor is subjected to additional complex chemical reactions which result in the pharmaceutical chemicals which are the subject of this legislation.

For supply to Ireland, intermediate chemicals are manufactured in the Springfield and Boulder facilities for export to Ireland for second and third stage manufacturing into the subject pharmaceutical chemicals. The naproxen and naproxen sodium manufactured in Ireland is for the European and other markets.

For supply to Mexico, intermediate chemicals of a more advanced level of completion than those supplied to Ireland are exported from U.S. facilities. The naproxen and naproxen sodium manufactured in Mexico from these U.S. component chemicals are for consumption in Latin America only.

Most imports of naproxen and naproxen sodium into the United States are from the Bahamas and entered duty-free under CBI prior to the current duty suspension, while most Irish production is destined for the European market. However, due to the production demands of the U.S. market and occasional insufficient supply from the Bahamas, naproxen and naproxen sodium may also be imported from Ireland for processing in the United States. This Irish merchandise was duty-paid at the time of entry into Puerto Rico, prior to the suspension, but nearly all duties paid are eventually recovered under a program of duty drawback.

The process of manufacture as well as the products themselves are patented and the final major U.S. patent will not expire until December, 1993. As drafted, the duty suspension extension will terminate on 12/31/93. Therefore, there is no domestic production of the imported chemicals, naproxen and naproxen sodium, nor can there be any until at least 1994.

Tariff Treatment

Naproxen and naproxen sodium are classifiable under HTS heading 2918.9030 and the current duty suspension provision is 9902.2922. This item is currently eligible for CBI duty-free treatment when imported from the Bahamas. The column 1 rate of duty applicable to imports of Irish material is presently 6.8%.

Purpose of the Legislation

The enactment of H.R. 1838 would extend the existing duty suspension through 1993. This would continue to allow Syntex more flexibility in sourcing bulk material without the payment of duty, while avoiding the need for use of a formalized bonded manufacturing warehouse, the cost of posting drawback bonds, and the processing of subsequent drawback claims.

Prior to the current duty suspension of HTS heading 9902.2922, imports of the subject merchandise were being almost entirely sourced in the Bahamas for importation in Puerto Rico. These goods were entered into bonded manufacturing warehouse where a final end-processing under the CBI program occurred. These procedures, as cumbersome as they were for both Syntex and U.S. Customs, resulted in duty-free treatment of the naproxen and naproxen sodium. The duty suspension legislation and the requested extension allow identical treatment while saving both Syntex and U.S. Customs' resources.

In addition, there was a small amount of Irish material imported in 1988. Currently all duties paid on Irish material may be recovered under duty drawback procedures. This drawback procedure is time consuming and costly. It necessitates extensive record-keeping by the importer as well as a significant expenditure of time by U.S. Customs in entry processing and audit procedures. In addition, due to the lack of audit staff available within U.S. Customs, the backlog of unaudited drawback entries of these products has been historically high.

Briefly then, the passage of this legislation would result in a savings of time and resources both to the Government and the importer without any detriment to domestic interests and little, if any, net loss of revenue.

Domestic Industry Considerations

As the products are proprietary, there is no domestic production of these products now nor will there be until the final patent expires in 1993. Since these pharmaceutical chemicals are used in manufacturing prescription drugs, there is no identical competitive product. Each prescription drug is prescribed by a physician for the specific patient, any known side-effects, and other therapeutic factors. In short, prescription drugs are not interchangeable and the imported pharmaceutical chemicals in question are exclusive to the production of Naprosyn and Anaprox.

There is also significant benefit to the industry in the United States from this program as nearly 100% of the intermediate components are manufactured in the United States, as are the finished drugs made from the imported products.

Finally, at the time of designation by the President of TSUS item 412.22 for GSP duty-free treatment in 1981, the ITC specifically considered the issue of potential injury to the domestic industry and found no likelihood of injury.

H.R. 1842

To provide permanent duty-free entry for certain mixtures of hot red peppers and salt.

STATEMENT OF THE McILHENNY COMPANY, AVERY ISLAND, LOUISIANA

May 15, 1989

STATEMENT

RE: HR 1842 - A BILL TO PROVIDE PERMANENT DUTY FREE ENTRY FOR CERTAIN MIXTURES OF HOT RED PEPPERS SALT

Our company has been growing a special variety of pepper for our use since 1868. Within the last twenty-five years, in order to keep up with production of our pepper sauce, we have been forced to grow this pepper outside of the United States. The ripe red peppers are mixed with salt and are ground or macerated the day they are picked. The "mash" is then put in white oak barrels for aging. At that point, the peppers are ready for shipment to our plant in the United States. This mash is then aged in warehouses on Avery Island, Louisiana until judged by a member of the McIlhenny Company family to be properly mellowed and cured for use in TABASCO brand pepper sauce.

Only approximately 300 acres of these special variety of pepper which we use for our sauce is grown in the United States. We are growing 40 acres of that ourselves. These special pepper "mash" is not offered for sale in the United States by any individual or business entity. Our company stands ready to purchase any mash made with our special variety of pepper and which we judge to be a suitable quality and within reason as to price. We feel that the duty we are forced to pay on some of the pepper mash we import was not meant to protect this very specialized product and industry. The revenue loss this year, if we have an excellent crop in Mexico, would be approximately $10,000.

EDMUND McILHENNY, JR.

H.R. 1843

To provide a separate tariff classification for, and to suspend temporarily the duty on, certain opal borosilicate glassware imported in sets.

STATEMENT IN OPPOSITION TO H.R. 1843--A BILL TO REDUCE THE DUTY ON OPAL BOROSILICATE GLASS KITCHENWARE

Submitted by:

Mr. George Parker
President, American Flint
Glass Workers Union

May 30, 1989

The American Flint Glass Workers Union is strongly opposed to the passage of H.R. 1843, a bill that permanently reduces and temporarily suspends the duty on opal borosolicate glass kitchenware imports from Mexico. We are opposed to this bill because its passage will have a seriously adverse impact on the domestic glassware industry and its workers.

H.R. 1843 permanently reduces the duty on opal borosilicate glass kitchenware to 7.2 percent and then suspends the duty for three years. Because such glass kitchenware enters under several tariff categories, the MFN duty ranges from 7.2 to 30.0 percent ad valorem. We believe most of the product subject to H.R. 1843 receives 30.0 percent duty treatment.

The U.S. glass industry is extremely import sensitive. Both the President and the Congress have recognized this import sensitivity consistently over time in the administration and passage of U.S. trade laws. U.S. negotiators specifically excluded the tariff categories affected by H.R. 1843 from tariff cuts during the Tokyo Round. And, with the passage of the 1974 Trade Act, the Congress specifically excluded semi-manufactured and manufactured glass products from duty-free treatment under the Generalized System of Preferences (GSP).

The import sensitivity in the industry is borne out by economic statistics. The industry has steadily lost ground to imports as evidenced by a reduction in domestic shipments of glass cookware, ovenware, and kitchenware from 143.8 million pieces in 1983 to 99 million pieces in 1987 -- over a 30 percent decline. Likewise, employment in the industry had declined dramatically over the last ten years from a peak of 59,000 workers in 1978 to 42,300 workers in 1988. The industry has not experienced the recovery in employment that has occurred in other sectors of manufacturing.

The fact is, passage of H.R. 1843 will merely shift employment from the United States to Mexico. As a result of the passage of this bill, hundreds of good paying manufacturing jobs will be lost in the states of West Virginia, Pennsylvania, Ohio, and New York. There is simply no compelling national purpose served by such a transfer of jobs.

In light of the adverse affect that H.R. 1843 will have on the domestic glassware industry and its workers, the American Flint Glass Workers Union strongly urges the Committee to reject this bill. We hope that the Committee will take a stand in support of the American worker.

Submitted by:

George Parker
President
American Flint Glass
Workers Union
1440 Byrne Road
Toledo, OH 43614
(419) 385-6687

AnchorHocking

Anchor Hocking Glass Company
519 Pierce Ave.
Lancaster, Ohio 43130

William K. Berry
President

June 7, 1989

The Honorable Dan Rostenkowski
2111 Rayburn House Office Building
Washington, DC 20515

Dear Representative Rostenkowski:

RE: H.R. 1843

This letter will set forth Anchor Hocking Glass Company's ("Anchor Hocking") opposition to House Bill H.R. 1843, a bill which will reduce the duty on opal borosilicate glass kitchenware.

Anchor Hocking has been America's leading manufacturer of machine made glassware for over 80 years. At the height of its production of machine made glass tableware, Anchor Hocking had two glass manufacturing facilities in Lancaster, Ohio, and one in Clarksburg, West Virginia dedicated to these products. A fourth facility, located in Monaca, Pennsylvania, also produces a limited amount of glass tableware, as well as other products which would be affected adversely by H.R. 1843. Of the three principal facilities, only one is operating today.

The history of this decline is simple and fast. In 1985, Anchor Hocking closed one of the two glass manufacturing facilities in Lancaster, Ohio because of the loss of glassware market share -- in part to foreign competition. The shutdown involved a pretax loss of over $46,000,000. A major portion of this Lancaster, Ohio facility was dedicated to borosilicate glass, primarily ovenware. At the time of the Lancaster closing, a portion of the operations was moved to Clarksburg, West Virginia for competitive reasons. The closing of the Lancaster facility resulted in the loss of 850 manufacturing, office and managerial jobs. In addition, because of the closing of this facility, Anchor Hocking employees qualified for trade adjustment assistance at considerable cost to the government.

Competitive pressures on Anchor Hocking's glass tableware business continued after the 1985 shutdown and the business remained unprofitable. Anchor Hocking's stock price weakened and Anchor Hocking became an attractive acquisition candidate. In mid-1987, Newell Company acquired Anchor Hocking. Recognizing that foreign competitive pressures could not be beaten with a broad line of glassware items, Newell Company reduced the number of items in the product line so that profitability could be reestablished. It continues to manufacture machine made glass tableware in Lancaster. However, profitability came at the cost of closing the Clarksburg, West Virginia facility in 1987, resulting in the loss of 1,000 jobs in Clarksburg, West Virginia and the writing off of a facility in which Anchor Hocking had invested more than $30,000,000.

The remaining plant in Lancaster, Ohio is still operating, but not at full capacity. However, if the market is opened to more foreign competition through H.R. 1843, Anchor Hocking would experience an immediate threat to its ovenware line and an immediate loss of jobs. Loss of the ovenware business alone could call into question the advisability of maintaining this facility. In short, after more than 80 years of leadership in this business, Anchor Hocking may be forced to withdraw from the machine made glass tableware business. With these points in mind, we wish to provide the following paraphrase of the legal issues raised in the letter of Corning, Inc., opposing H.R. 1843.

Anchor strongly opposes H.R. 1843, a bill which will provide a permanent duty reduction and temporary duty suspension for certain opal borosilicate kitchen and glassware sets. The bill applies only to opal borosilicate imported by truck directly from the country of origin, a clear indication that products imported from Mexico will be the primary beneficiaries.

Previous attempts to reduce the tariffs on machine made glassware have failed because of the adverse impact of such legislation on U. S. industry. H. R. 1843, like all such legislation, would have the following adverse effects:

1. Damage the U. S. machine made glassware industry -- an industry which has a longstanding history of import sensitivity;

2. Circumvent determination by the Interagency Trade Policy Staff Committee ("Trade Policy Staff") that duty-free treatment of these products would damage U. S. producers;

3. Violate existing U. S. commitments under the General Agreement on Tariffs and Trade ("GATT") to adhere to a most favored nation policy, and

4. Weaken U. S. negotiating leverage by conferring a unilateral U. S. tariff concession with no compensatory tariff reductions from U. S. trading partners at a time when such tradeoffs are being negotiated under the GATT.

I) H.R. 1843 Would Harm The U. S. Machine Made Glassware Industry -- An Industry Which Has A Long History Of Import Sensitivity

H.R. 1843 creates Subheading 7013.39.15 of the Harmonized Tariff System ("HTS"), a new category which would cover opal borosilicate glass kitchenware imported by truck. Under the new category, products currently dutiable at rates ranging from 7.2 to 30.0 percent *ad valorem* would be dutiable at 7.2 percent. One of the primary products affected is glass ovenware, which is currently dutiable at 30 percent. H.R. 1843 also suspends the Column I rate of duty on the products through December 31, 1992. Both the duty reduction and the duty suspension would damage the U. S. industry.

The effects of H.R. 1843 are not limited, however, to opal borosilicate glass kitchenware. Rather, the U. S. machine made glassware industry is comprised of producers of kitchenware, cookware and ovenware made from all types of glass since (a) few producers focus their product line exclusively on kitchenware, cookware or ovenware but, rather, manufacture a range of glass products for all three uses; and (b) kitchenware, cookware and ovenware products of all types of glass compete directly with each other.

U. S. producers of glass kitchenware, cookware and ovenware have long been recognized as import sensitive. Market research indicates that, while U. S. demand for glass kitchenware, cookware and ovenware has grown only modestly in recent years, imports have risen rapidly and have accounted for an increasing share of the U. S. market. As a result,

1) H.R. 1843 Would Harm The U. S. Machine Made Glassware Industry -- An Industry Which Has A Long History Of Import Sensitivity (Continued)

U. S. production has fallen sharply. This is evident from Anchor Hocking's closing of major glass manufacturing facilities in 1985 and 1987. U. S. producers' shipments of glass cookware, ovenware and kitchenware (excluding microwave specialty pieces) declined 31 percent during 1983-1987, from 143.8 million pieces to 99 million pieces.

Not surprisingly, U. S. employment in the machine made glassware industry has also fallen dramatically. According to the Bureau of Census, U. S. employment in the industry defined by SIC 3229 (pressed and blown glass and glassware, not elsewhere classified) dropped almost 30 percent over the last decade, from 59,000 in 1978 to 42,300 in 1988. The impact of H.R. 1843 would only worsen this situation.

In fact, the only benefits resulting from H.R. 1843 would be to Crisa Corporation of Laredo, Texas, which apparently is a wholly-owned distribution outlet of Vitro Cristaleria, S.A. of Monterray, Mexico ("Vitro"). Vitro is the leading Mexican glassware producer. It is the third largest foreign supplier of opal borosilicate products to the U. S., accounting for 10.1 percent of the 112,377,000 pieces imported in 1988. Vitro is one of the international glass industry's giants, with 1987 glassware sales reported at $762 million (and an additional $112 million in sales of non-glass products).

2) H.R. 1843 Would Circumvent Previous Trade Policy Staff Actions

H.R. 1843 is intended to bestow a duty preference on Mexican suppliers of opal borosilicate glass kitchenware vis-a-vis other foreign suppliers of competing products. An administrative mechanism already exists for conferring preferential status to Mexico and other developing countries -- the Generalized System of Preferences (GSP). Vitro has tried to gain preferential access to the U. S. market via the GSP and has been unsuccessful due to the import sensitivity of the U. S. industry. Vitro now attempts to circumvent the Trade Policy Staff determination through H.R. 1843.

Opal borosilicate glass kitchenware originally was not designated eligible for GSP benefits because of a determination by the U. S. Congress that U. S. manufacturers of such products were import sensitive. (When the GSP was implemented in 1974, Congress excluded certain import sensitive items, including semi-manufactured and manufactured glass products, from the program. See 19 U.S.C. 2463 (c) (1) (F)). If the U. S. Congress were to enact H.R. 1843, it would contravene its earlier decision not to grant duty-free status to such glassware.

A review of the GSP petition history covering opal borosilicate glass kitchenware confirms that the U. S. industry has remained import sensitive. There have been 39 petitions to add products classified under U. S. Tariff Schedule items 546.52 through 546.66 -- the range of categories covering opal borosilicate glass kitchenware -- to the list of products eligible for GSP free treatment. None have been successful.

In the category that Anchor believes accounts for the vast majority of U. S. imports of opal borosilicate glass kitchenware (Item No. 546.60), there have been 12 product addition petitions, all of which were rejected for review or denied.

The Trade Policy Staff's repeated rejections of product addition petitions covering the same items as H.R. 1843 can only be attributed to the continued import sensitivity of U. S. producers of directly competitive products.

2) H.R. 1843 Would Circumvent Previous Trade Policy Staff Actions (Continued)

Clearly, if circumstances regarding the U. S. Industry were to change, Vitro could again petition that its products be added to the list of articles eligible for GSP free treatment. The GSP Subcommittee could examine the changed circumstances and determine whether preferential access would no longer have an adverse effect on the U. S. Industry. Such a review, in which the economic facts could be fully weighed, would be the appropriate vehicle for considering a change in U. S. policy.

3) H.R. 1843 Would Violate U.S. Commitments Under The GATT

Because the new tariff category created by H.R. 1843 would apply only to products imported by truck directly from the country of origin, it would reduce current duties on opal borosilicate glass kitchenware from Mexico (and temporarily for Canada) but not from any other U. S. trading partners. Such action would contravene U. S. obligations under Article I — The Most Favored Nation (MFN) Clause — of the GATT. Under Article I, which is the fundamental tenet of the GATT, the United States commits to extend to all GATT members the lowest tariff rate it applies to a third country; Clearly, by extending lower rates only to Mexican products, H.R. 1843 would violate the MFN principle.

4) H.R. 1843 Would Undercut U. S. Negotiating Leverage In The Uruguay Round

Through H.R. 1843, the Congress would grant a unilateral tariff concession to Mexico at a time when the U. S. Government is about to embark on reciprocal tariff negotiations under the GATT's Uruguay Round. Should the United States decide to consider a reduction in the MFN tariff on HTS Subheadings 7013.39.10 through 7013.39.60 notwithstanding the U. S. Industry's objections on grounds of import sensitivity, at least the United States could secure some reciprocal concessions from Mexico under the Uruguay Round in contrast to the unilateral giveaway embodied in H.R. 1843.

Moreover, it is important to note that the United States has decided to pursue a request/offer approach in these negotiations, meaning that, unlike previous GATT Rounds, there is no presumption that a duty on a particular item will be reduced — unless a U. S. trading partner requests such a reduction and is willing to negotiate a compensatory duty reduction of its own. To unilaterally grant a tariff concession without a prior request for such action and without gaining a tariff concession from Mexico as compensation runs counter to U. S. strategy for the Uruguay Round negotiations.

For the above reasons, Anchor Hocking Glass Company hereby registers its strong opposition to H.R. 1843.

Very truly yours,

ANCHOR HOCKING GLASS COMPANY

William K. Berry

William K. Berry
President

1/4793A/1-4/AD

Statement by Corning, Incorporated in Opposition to H.R.1843 — A Bill To Reduce and Suspend The Duty on Certain Opal Borosilicate Glass Kitchenware

May 30, 1989

Summary

Corning strongly opposes H.R. 1843, a bill to provide a permanent duty reduction and temporary duty suspension for certain opal borosilicate glass kitchenware imported in sets. The bill's provisions apply only to opal borosilicate glass kitchenware imported by truck directly from the country of origin. Because Canada is not a significant supplier of such products and because the U.S. duty on the Canadian product is being phased out under the U.S.-Canada Free Trade Agreement, H.R.1843 would primarily affect products imported from Mexico.

H.R.1843 is very similar to legislation introduced in last year's Congress (H.R.3992 and S.2745) which was not enacted largely because of its adverse impact on the U.S. industry. While H.R.1843 has been altered slightly from its predecessors, its passage would nevertheless be contrary to U.S. interests. Corning opposes H.R.1843 because it would:

1) damage a U.S. industry that has a longstanding history of import sensitivity;

2) circumvent determinations by the interagency Trade Policy Staff Committee (TPSC) that duty-free treatment of these products would damage U.S. producers; and

3) weaken U.S. negotiating leverage by conferring a unilateral U.S. tariff concession with no compensatory tariff reductions from U.S. trading partners at a time when such tradeoffs are being negotiated under the GATT.

H.R.1843 would harm a U.S. industry that has a long history of import sensitivity

H.R.1843 would create a new tariff category (subheading 7013.39.15 of the Harmonized Tariff System) for opal borosilicate glass kitchenware imported by truck and would permanently lower the Column 1 duty rate to 7.2 percent. The products entering the United States under the new category are currently dutiable at rates ranging from 7.2 to 30.0 percent *ad valorem*. Corning believes that the new HTS category would primarily include glass ovenware entering the United States under HTS 7013.39.20 at a Column 1 duty of 30.0 percent.[1] H.R.1843 would confer a tariff reduction of more than 22 percentage points to Mexican suppliers of opal borosilicate glass kitchenware.

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[1] Under the Tariff Schedules of the United States (TSUS), these products entered under TSUS 546.60 (other glassware used in the household or elsewhere for preparing, serving, or storing food or beverages, or food or beverage ingredients, valued over $0.30 but not over $3.00 each). Corning believes that the full range of opal borosilicate glass kitchenware enters under HTS subheadings 7013.39.10 through 7013.39.60 (formerly TSUS items 546.52 through 546.68).

The bill would also suspend the Column 1 rate of duty on such products through December 31, 1992. Both the duty reduction and the duty suspension would damage the U.S. industry.

In analyzing the effects of H.R.1843 on U.S. producers, it is impossible to limit the examination to U.S. producers of opal borosilicate glass kitchenware. Rather, the relevant U.S. industry is comprised of producers of kitchenware, cookware and ovenware made from all types of glass. This is because (a) few producers focus their product line exclusively on kitchenware, cookware or ovenware but rather manufacture a range of glass products for all three uses; and (b) kitchenware, cookware and ovenware products of all types of glass compete directly with each other.

U.S. producers of glass kitchenware, cookware and ovenware have long been recognized as import sensitive. For example, during the last round of multilateral trade negotiations, the tariff categories including opal borosilicate glass kitchenware valued between $0.30 and $3.00 were exempted from tariff cuts due to the import sensitivity of U.S. producers of comparable items.[2]

Corning's market research indicates that, while U.S. demand for glass kitchenware, cookware and ovenware has grown only modestly in recent years, imports have risen rapidly and have accounted for an increasing share of the U.S. market. As a result, U.S. production has fallen sharply. U.S. producers' shipments of glass cookware, ovenware and kitchenware (excluding microwave specialty pieces) declined 31 percent during 1983-87, from 143.8 million pieces to 99 million pieces, as shown below.

U.S. Producers' Shipments of Glass Cookware, Ovenware and Kitchenware (excluding microwave specialty pieces)
(millions of pieces)

	1983	1984	1985	1986	1987
Shipments	143.8	103.6	100.5	101.5	99.0

Source: "Current Industrial Report: Consumer, Scientific, Technical and Industrial Glassware," U.S. Bureau of the Census, 1984-87 reports.

Not surprisingly, U.S. employment in the industry that would be hurt by H.R.1843 has also fallen dramatically. According to the Bureau of Census, U.S. employment in the industry defined by SIC 3229 (pressed and blown glass and glassware, not elsewhere classified) dropped almost 30 percent over the last decade, from 59,000 in 1978 to 42,300 in 1988. The impact of H.R.1843 would only worsen this situation.

In fact, the only benefits resulting from H.R.1843 would be to Mexican producers. Corning believes that, as was the case last year, H.R.1843 has been introduced to assist Crisa Corporation of Laredo, Texas, which Corning believes is a wholly-owned distribution outlet of Vitro Cristaleria, S.A. of Monterrey, Mexico. Vitro is one of the international glass industry's giants, with 1987 glassware sales reported at $762 million (and an additional $112 million in sales of non-glass products).[3]

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[2] At the time of the Tokyo Round negotiations, such products entered under then-TSUS items 546.54 and 546.56, both with Column 1 duty rates of 30.0 percent ad valorem. The categories were later merged into TSUS 546.60, which also had a 30.0 percent rate of duty.

Because opal borosilicate glass kitchenware currently enters the United States under several basket categories, it is impossible to determine precisely either the volume of such imports or the leading foreign suppliers. However, Corning believes that the bulk of Vitro's products currently enter the United States under subheading 7013.39.20 of the Harmonized Tariff System and formerly entered under TSUS 546.60. As shown below, Mexico, which is the third-largest foreign supplier and accounted for 10.1 percent of U.S. imports in 1988, is clearly a competitive supplier of such products and does not need preferential duty benefits to compete effectively in the U.S. market. Corning believes that, for those ovenware products entering under TSUS 546.60, Mexico's share was considerably higher than 10.1 percent.

U.S. Imports Under TSUS 546.60
(thousands of pieces)

	1985	1986	1987	1988
France	29,299	31,554	21,527	24,485
Taiwan	15,303	16,868	15,732	14,914
Mexico	12,139	10,528	13,027	11,338
West Germany	14,183	11,269	9,071	8,372
Italy	7,841	7,796	7,326	8,236
Romania	7,116	8,518	6,662	7,847
Japan	6,138	5,299	4,482	3,905
Turkey	1,029	1,191	3,044	3,012
Others	32,765	27,866	40,801	30,268
Total	125,813	120,889	121,672	112,377

H.R.1843 would circumvent previous GSP actions

H.R.1843 is intended to bestow a duty preference on Mexican suppliers of opal borosilicate glass kitchenware vis-a-vis other foreign suppliers of competing products. An administrative mechanism already exists for conferring preferential status to Mexico and other developing countries -- the Generalized System of Preferences (GSP). Vitro Cristaleria has tried to gain preferential access to the U.S. market via this route and has been unsuccessful due to the import sensitivity of the U.S. industry. H.R.1843 attempts to circumvent this determination of the interagency Trade Policy Staff Committee.

Opal borosilicate glass kitchenware originally was not designated eligible for GSP benefits because of a determination by the Congress that U.S. manufacturers of such products were import sensitive. (When the GSP was implemented in 1974, Congress excluded certain import sensitive items, including semi-manufactured and manufactured glass products, from the program. See 19 U.S.C. 2463 (c) (1) (F)). If Congress were to enact H.R.1843, it would contravene its earlier decision not to grant duty-free status to such glassware.

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[3] "Traditional & Advanced Ceramics/Refractories: International Giants," Ceramic Industry, December 1988, p. 20.

A review of the GSP petition history covering opal borosilicate glass kitchenware confirms that the U.S. industry has remained import sensitive. There have been 39 petitions to add products classified under TSUS items 546.52 through 546.68 -- the range of categories covering opal borosilicate glass kitchenware -- to the list of products eligible for GSP-free treatment. None have been successful.

On TSUS 546.60 alone -- the category that Corning believes accounts for the vast majority of U.S. imports of opal borosilicate glass kitchenware -- there have been 12 product addition petitions, all of which were rejected for review or denied. Several of the unsuccessful petitions were filed by Vitro, as detailed below:

- a 1988 petition filed by Vitro and Crisa Corporation on TSUS 546.60 was rejected for review;
- a 1987 petition filed by Vitro on tempered mixing bowls (TSUS 546.6040(part)) was rejected for review;
- a 1986 petition filed by Vitro on TSUS 546.6040 was rejected for review;
- a 1984 petition filed by the Government of Mexico on TSUS 546.60 was rejected for review;
- a 1983 petition filed by the Government of Mexico on TSUS 546.60 was rejected for review;
- petitions filed in 1982 by the Government of Mexico on TSUS items 546.6040 and 546.6060 were rejected for review;
- a 1982 petition filed by an importer, Glass Products Inc. of Texas, on hand-blown glass votives (TSUS 546.6060(part)), was denied after a full review;
- a 1982 petition filed by the Government of Turkey on TSUS 546.6020 was rejected for review;
- a 1982 petition filed by the Government of Romania on TSUS 546.60 was rejected for review;
- a 1981 petition filed by the Government of Romania on TSUS 546.60 was rejected for review; and
- a 1980 petition filed by B.Z.T. of Israel on TSUS 546.60 was rejected for review.

The TPSC's repeated rejections of product addition petitions covering the same items as H.R.1843 can only be attributed to the continued import sensitivity of U.S. producers of directly competitive products.

Clearly, if circumstances regarding the U.S. industry were to change, Vitro could again petition that its products be added to the list of articles eligible for GSP-free treatment. The GSP Subcommittee could examine the changed circumstances and determine whether preferential access would no longer have an adverse effect on the U.S. industry. Such a review, in which the economic facts could be fully weighed, would be the appropriate vehicle for considering a change in U.S. policy.

H.R.1843 would undercut U.S. negotiating leverage in the Uruguay Round

Through H.R.1843, the Congress would grant a unilateral tariff concession to Mexico at a time when the U.S. Government is about to embark on reciprocal tariff negotiations under the GATT's Uruguay Round. Should the United States decide to consider a reduction in the MFN tariff on HTS subheadings 7013.39.10 through 7013.39.60 notwithstanding the U.S. industry's objections on grounds of import sensitivity, at least the United States could secure some reciprocal concessions from Mexico under the Uruguay Round in contrast to the unilateral giveaway embodied in H.R.1843.

Moreover, it is important to note that the United States has decided to pursue a request/offer approach in these negotiations, meaning that, unlike previous GATT rounds, there is no presumption that a duty on a particular item will be reduced -- unless a U.S. trading partner requests such a reduction and is willing to negotiate a compensatory duty reduction of its own. To unilaterally grant a tariff concession without a prior request for such action and without gaining a tariff concession from Mexico as compensation, runs counter to U.S. strategy for the Uruguay Round negotiations.

Submitted by:

Timothy J. Regan
Director, International
Programs
Corning, Incorporated
1455 Pennsylvania Ave., N.W.
Suite 500
Washington, DC 20004
(202)347-2270

STATEMENT BY CRISA CORPORATION IN SUPPORT OF H.R. 1843

Submitted to the Subcommittee on Trade,
Committee on Ways and Means, U.S. House of Representatives

May 31, 1989

Crisa Corporation, of Laredo, Texas, wishes to express its support for H.R. 1843 pursuant to the press release of May 3, 1989 soliciting public comments by the Subcommittee on Trade. H.R. 1843 seeks to establish a separate tariff provision, and duty rate, for opal borosilicate glassware, and to suspend temporarily the duty on such glassware. Opal borosilicate glassware is chiefly used in the preparation, serving or storing of food or beverages. Crisa Corporation is the U.S. importer of such merchandise from Mexico.

The reasons for our support of this bill may be summarized as follows:

1. The enactment of H.R. 1843 would directly benefit U.S. consumers, American workers and American businesses.
2. H.R. 1843 would have no negative impact on domestic manufacturers of glassware. Opal borosilicate glass is no longer produced in the United States.
3. H.R. 1843 would adjust the tariff rate on opal borosilicate glassware by bringing it in line with import duties on glassware similarly situated.

U.S. Consumers, Workers and Business Would Be Substantially Benefitted By H.R. 1843

A permanent reduction in the rate of import duty for opal borosilicate glassware will certainly provide the U.S. consumer with less expensive glassware for home use in cooking. This is particularly important when the products involved, as here, are generally sold to low or moderate income families.[1] Even a small decrease in price can provide a very real benefit to the consumer and his or her relative purchasing power.

At the same time we support the U.S. consumer we support the American workforce and business. Crisa Corporation is one of the largest employers in the Laredo area, directly employing almost 200 people. Additionally, there is substantial indirect employment generated by Crisa's activities in the United States, which results in significant foreign trade for U.S. business.

Crisa Corporation purchases large quantities of materials, mostly for packing, from U.S. companies which it ships to its Mexican supplier. The goods it imports from Mexico are thus packed in materials produced in the United States. In 1987, for its overall sales in the United States, Crisa Corporation purchased over $3.9 million of such materials, mostly corrugated cartons and labels. Additionally,

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[1] This importance is compounded when we are dealing with products that are often essential to the basic needs of food preparation.

Vitrocrisa Cristaleria, S.A., the manufacturer of the glass products imported by Crisa Corporation, imports of tens of millions of dollars of raw materials from the United States for its production operations. Such raw materials are sourced throughout the United States.

H.R. 1843 Will Not Adversely Affect Domestic Glassware Manufacturers

There are two types of borosilicate glass -- opal borosilicate and clear borosilicate. Both opal and clear borosilicate glass are produced from the same raw materials, except that opal borosilicate glass has an extra ingredient -- phosphates -- which gives it its milky white coloring. H.R. 1843 deals only with opal borosilicate glassware and only that glassware used in the preparation, serving or storage of food or beverages, or food or beverage ingredients, *i.e.*, ovenware and kitchenware.

H.R. 1843 seeks to establish a separate tariff provision only for opal borosilicate glassware. This is in recognition of the fact that while there are domestic manufacturers of clear borosilicate glass and glassware in the United States, there are no domestic manufacturers of opal borosilicate glass. It should be emphasized that domestic manufacturers of opal borosilicate glassware did not exit the U.S. market because of import competition. In fact, the reverse is true. Imports started to enter the United States as a result of the void in the market left by the cessation of U.S. production.

There are essentially two factors which resulted in the decisions of the U.S. manufacturers to cease production of opal borosilicate glass: (1) costs associated with environmental concerns, and (2) the actual cost of production of opal borosilicate glass. This voluntary withdrawal from the market by domestic manufacturers directly resulted in the increased presence of imports in the U.S. market, to service domestic demand. It is crucial to note, however, that U.S. imports of opal borosilicate glassware amount to no more than several million dollars per year -- an insignificant amount compared to the overall U.S. market for kitchenware and ovenware -- especially in light of the fact that opal borosilicate glassware does not compete directly with any U.S. production.

Aside from the physical properties of opal borosilicate glassware, the manner in which the product is marketed makes clear that opal borosilicate glassware imports do not compete with domestically produced glass products. Opal borosilicate glassware is priced and marketed to attract a different type of consumer than domestically produced glass. Opal borosilicate glassware is priced at the low end of the U.S. market and is sold only by way of direct sales (*i.e.*, door to door). Domestically produced glass products are priced at the mid-level or high end of the market and are distributed through retail outlets.[2] Therefore, even if the products did compete directly, the percentage of the U.S. market affected would be minimal.

Currently, there are no domestic manufacturers of opal borosilicate glass, nor is it likely that any American glass producers will enter the market in the future. Yet, it appears the market itself still remains for these products, which in turn can be supplied by imports without harming domestic companies. A reduction in duties will therefore benefit all parties involved, particularly the American consumer.

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[2] American glass manufacturers have made a conscious decision to move into the high technology and higher priced glass products.

The Separate Tariff Provision Mirrors Existing Levels For Similar Glassware

Currently, opal borosilicate glass is subject to rates of duty ranging between 7.2 percent and 38 percent, depending upon the value of the imports. H.R. 1843, if enacted, would establish a 7.2 percent duty rate on all imports of opal borosilicate glassware sets, as described in the proposed new tariff provision. This is consistent with current MFN duty limits bound against increase under GATT on this type of glassware, used primarily in the household for preparing, serving or storing food. Any higher level might result in a demand for compensation from our trading partners or in offsetting retaliation against U.S. exporters.

This reduced tariff level incorporated into H.R. 1843 is also consistent with other types of glass with similar properties, such as tempered glass, used for similar purposes. Borosilicate glass, both clear and opal, have similar physical properties and characteristics as tempered glass products (although produced at lower cost and sold at the low end of the market). These properties result in the glass's ability to withstand heat and physical shock, making it less prone to crack. Creating a separate tariff provision would therefore simply mirror existing rates for similarly situated glass products.

In addition, a major domestic glass manufacturer has worked for and obtained similar relief for their offshore products in the past. (See P.L. 100-418 § 1781; HTS Subheading 7013.10.10.) Presumably, this represents a growing awareness in the market and in Congress that certain types of glassware and certain glassware products do not directly compete against U.S. domestic glass products. This glass simply meets consumer demands by filling a void in domestic product lines. Opal borosilicate glassware is just such an example. By enacting H.R. 1843, Congress will be assisting the U.S. consumer by adjusting the tariff level on opal borosilicate glass to be consistent with these other similar products.

Conclusion

Given the fact that opal borosilicate glass is no longer produced in the United States, the current duties imposed upon it when imported into the United States has no effect other than to add as much as 38 percent to the cost of such product to the U.S. consumer. H.R. 1843 if enacted would lower the burden on American consumers by lowering the duty to a level consistent with GATT and that imposed on similarly situated glassware. For this same reason, even a 7.2 percent ad valorem duty serves no purpose, and this is why Section 2 of H.R. 1843, which seeks to suspend the duty on this provision through December 31, 1992, should also be viewed favorably by the Subcommittee. Such a suspension of duty will benefit the U.S. consumer, and, because there are no domestic manufacturers of this product, will not have any negative effect on the domestic industry.

For all of these reasons, we respectfully urge the Subcommittee to favorably consider H.R. 1843.

Respectfully submitted,

Irwin P. Altschuler
Donald S. Stein

BROWNSTEIN ZEIDMAN AND SCHOMER
Suite 900
1401 New York Avenue, N.W.
Washington, D.C. 20005
Telephone: (202) 879-5700

8125n/8126n

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May 31, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
Washington, D.C. 20515

Dear Sam:

When the Subcommittee on Trade considers pending miscellaneous tariff measures next month, I strongly urge you to reject two of the pending bills: H.R. 1851 and H.R. 1843.

The Pfaltzgraff Co., which is located in my district, employs over 2,000 people in its manufacturing, marketing and retailing operations. Pfaltzgraff produces ceramic dinnerware and giftware, including earthenware mugs and ovenware that are competitive with the products identified in H.R. 1843 and H. R. 1851.

It is my understanding that it is generally the practice of the Trade Subcommittee to approve duty suspensions only when there are no U.S. producers, or, at the very least, inadequate production capacity. This is clearly not the case for the products proposed in H.R. 1843 and H.R.1851. Both like and directly competitive dinnerware and ovenware are produced in the United States. Moreover, with respect to H.R. 1851 on duty-suspension for ceramic mugs, this bill offers to be merely a back-door attempt to accomplish what the U.S. Trade Representative rejected in 1987--duty free treatment for imported mugs from the major mug producing nations: Korea, Taiwan and Brazil.

Approval of these bills would adversely affect Pfaltzgraff and its employees. Thank you for your consideration of their substantial concerns with respect to these bills.

Sincerely,

Bill

BILL GOODLING
Member of Congress

WFG:hb

COMMENTS OF THE PFALTZGRAFF CO.

On behalf of The Pfaltzgraff Co., a domestic producer of dinnerware made of fine-grained earthenware, we submit these comments in opposition to two miscellaneous tariff and trade bills currently before the Subcommittee on Trade: H.R. 1843 and H.R. 1851. Both bills propose that duties be temporarily suspended on certain imported dinnerware products for which Pfaltzgraff produces a competitive product. Specifically, H.R. 1843 provides for a separate tariff classification of certain imported opal borosilicate glass ovenware and dinnerware, as well as a permanent tariff reduction and temporary duty-free treatment on such products. H.R. 1851 provides for temporary duty suspension for imported ceramic mugs not in sets. Pfaltzgraff submits that each of these bills would further exacerbate the current problems domestic dinnerware manufacturers are experiencing due to the significant volume of such low-priced imports and therefore opposes both bills.

The Pfaltzgraff Co. is located in York, Pennsylvania and is a subsidiary of the Susquehanna Broadcasting Company. Pfaltzgraff has a subsidiary company, Treasure Craft, located in Compton, California. The Pfaltzgraff Co. and Treasure Craft employ over 2,000 people in their manufacturing, marketing and retailing operations. Both Pfaltzgraff and Treasure Craft produce ceramic dinnerware and giftware, including earthenware mugs and ovenware that are competitive with the products identified in H.R. 1843 and H.R. 1851.

I. H.R. 1851

The bill introduced by Congressman Frenzel would suspend the present 13.5 percent rate of duty applicable to imported ceramic mugs through December 31, 1992. Imports of ceramic mugs under this current duty rate, however, are already posing a significant problem to domestic manufacturers of ceramic mugs, including Pfaltzgraff. Indeed, as detailed below, the U.S. Trade Representative has previously recognized the problems caused by imported ceramic mugs from the major foreign producers -- the Republic of Korea, Taiwan and Brazil -- in denying such countries Generalized System of Preferences duty-free treatment for mugs in April 1987. Based on a review of USTR's actions and the problems of the domestic mug manufacturers, Congress should similarly refuse to adopt H.R. 1851.

A. The U.S. Industry

In addition to Pfaltzgraffand its subsidiary, Treasure Craft, the major U.S. producers of ceramic mugs are The Homer Laughlin Company of Newell, West Virginia and Scio Pottery Company of Scio, Ohio. There is additional production of ceramic mugs by other U.S. companies, particularly companies on the U.S. West Coast, but such production is relatively small in comparison with the aggregate production of these producers.

Although the domestic mug production of these companies is substantial, U.S. production is already much less than it was in the past due to the impact of imports. For example, not long ago domestic manufacturers were heavily involved in the production of earthenware mugs for sale in gift and novelty stores and on a contractual basis to bulk purchasers who use the mugs for advertising and promotional purposes. While these markets still exist and have even grown in size over the years, domestic manufacturers have lost a significant share of these markets to low-priced imports.

It should be emphasized that the domestic producers' decline in market share of the U.S. mug market has not been on the basis of quality; U.S. producers manufacture mugs of a quality equal to or better than the imported mugs. The imports have taken market share not for reasons of quality but on the basis of very low prices. Because it is the low prices of imports that have already presented a competitive problem for U.S. companies attempting to compete in their home market, Pfaltzgraff finds it ironic that a bill proposing temporary duty suspension on mugs is now being considered.

B. The Imports

Evidence of the significant volumes of low-priced mug imports that have caused the domestic industry's problems is presented in Table 1. As Table 1 reveals, imports of mugs have been significant and increasing in volume over the last several years. Total mug imports have increased from roughly 9 million dozen in 1983 to over 15 million dozen in 1988, a 72 percent increase in five years. The country accounting for almost half of all imported mugs -- and hence the country that stands to benefit most from H.R. 1851 -- is the Republic of Korea. Imports of Korean mugs increased in volume by 181 percent between 1983 and 1988. Other, new countries, such as the People's Republic of China, have recently entered the U.S. market at sizable volume levels.

TABLE 1

U.S. IMPORTS OF MUGS AND STEINS
NOT AVAILABLE IN SPECIFIED SETS, NSPF
TSUS NO. 533.3000
1983 - 1988
(Quantity in dozen pieces, Value in $1,000's)

	1983				1984				1985			
Country	Quantity	Value	Avg.Unit Value 1/	% of Total Imports	Quantity	Value	Avg.Unit Value 1/	% of Total Imports	Quantity	Value	Avg.Unit Value 1/	% of Total Imports
Brazil	106,113	2,196	20.69	1.18%	496,839	5,901	11.88	4.16%	398,970	5,975	14.98	2.73%
United Kingdom	979,935	4,698	4.79	10.87%	1,093,598	4,301	3.93	9.17%	1,800,429	5,750	3.19	12.31%
China	574,917	1,433	2.49	6.38%	873,023	2,173	2.49	7.32%	659,062	2,091	3.17	4.51%
Korea Republic	2,276,530	8,041	3.53	25.26%	2,797,161	12,976	4.64	23.45%	3,749,588	15,254	4.07	25.65%
Taiwan 2/	1,052,749	3,447	3.27	11.68%	1,646,341	6,573	3.99	13.80%	1,776,278	7,610	4.28	12.15%
Japan	3,739,882	24,243	6.48	41.50%	4,715,102	35,411	7.51	39.52%	5,532,245	34,362	6.21	37.84%
All Others	282,140	3,801	13.47	3.13%	308,510	3,531	11.44	2.59%	703,480	4,054	5.76	4.81%
Total	9,012,266	47,859	5.31	100.00%	11,930,574	70,866	5.94	100.00%	14,620,052	75,096	5.14	100.00%

	1986				1987				1988			
Country	Quantity	Value	Avg.Unit Value 1/	% of Total Imports	Quantity	Value	Avg.Unit Value 1/	% of Total Imports	Quantity	Value	Avg.Unit Value 1/	% of Total Imports
Brazil	490,462	4,643	9.47	3.23%	314,506	5,647	17.96	1.71%	410,378	8,304	20.23	2.65%
United Kingdom	1,053,643	4,574	4.34	6.94%	1,165,975	6,898	5.92	6.32%	779,574	5,344	6.86	5.03%
China	1,201,334	3,444	2.87	7.92%	1,450,352	3,950	2.72	7.87%	1,872,829	5,950	3.18	12.09%
Korea Republic	3,602,051	15,892	4.41	23.74%	6,127,544	28,740	4.69	33.24%	6,406,192	31,882	4.98	41.36%
Taiwan	2,716,638	11,700	4.31	17.90%	3,021,730	17,280	5.72	16.39%	1,904,468	14,824	7.78	12.30%
Japan 3/	5,434,452	31,329	5.76	35.82%	5,353,919	31,156	5.82	29.04%	2,642,758	23,525	8.90	17.06%
All Others	673,956	4,813	7.14	4.44%	1,000,975	5,795	5.79	5.43%	1,472,811	9,348	6.35	9.51%
Total	15,172,536	76,394	5.04	100.00%	18,435,001	99,467	5.40	100.00%	15,489,010	99,177	6.40	100.00%

1/ Average unit value per 12 piece set.

2/ Includes items imported under Tariff Provision 807.00.

3/ Includes items imported under country of shipment; country of origin unknown.

Source: U.S. Department of Commerce.

Given these sizable and increasing volumes under the present duty rate, it should be plain that no temporary duty-suspension is in order.

Moreover, despite the dramatic exchange rate fluctuation that has occurred in the dollar as compared with other foreign currencies recently, the average unit value of the mug imports has not changed appreciably over the past six years. Between 1983 and 1987, the average value, per dozen, of imported ceramic mugs from all countries rose from only $5.31 to $5.40. And, while that average value did increase in 1988, these import values still remain low as compared with those of domestic mugs.

Given the significant and increasing presence of mug imports in the U.S. market, it can readily be seen that no temporary duty-suspension is needed for ceramic mugs. Although exact statistics are not available on present U.S. mug production, it is known that imports currently dominate the market to the detriment of U.S. producers.

Nonetheless, the mug market remains an important market to the Pfaltzgraff Co. and other U.S. producers. Pfaltzgraff has the potential to produce mugs which it would like to take advantage of if the market would permit. The Scio Pottery Company, another domestic mug manufacturer, recently invested several million dollars in upgrading its mug production capacity. Loss of current duty protection against imported mugs would have a devastating effect on Scio's recent investment and on the rest of the U.S. mug-producing industry.

C. USTR Denial of GSP Duty-Free Treatment for Mugs from South Korea, Taiwan and Brazil

In September 1986, the U.S. Trade Representative received a petition requesting duty-free treatment for imported ceramic mugs (TSUS item 533.3000) under the Generalized System of Preferences (GSP). The petition asserted that Ceramic Developing Corporation, the main Korean manufacturer of mugs, hoped to increase its exports of mugs to the United States by at least 25 percent if duty-free treatment were granted. Pfaltzgraff, Scio Pottery and Homer Laughlin presented arguments similar to those set forth above in opposing the requested duty-free treatment for mugs. The U.S. mug manufacturers noted in particular that imported mugs from Korea, Taiwan and Brazil [1/] were causing problems to U.S. mug manufacturers under the current 13.5 percent rate of duty, and further increases in mug imports -- particularly an increase of 25 percent in Korean mug imports -- would have a devastating effect on the U.S. industry.

The U.S. Trade Representative apparently accepted these arguments by the domestic mug manufacturers and decided to deny the requested GSP duty-free treatment for mugs imported from Korea, Taiwan and Brazil. See 52 Fed. Reg. 19,216 (May 21, 1987). Although granting GSP-eligibility to item 533.3000, the major exporting nations were specifically declared ineligible for GSP treatment.

The requested temporary duty-suspension for imported ceramic mugs appears to be merely an attempt to accomplish what USTR denied in 1987 -- duty-free treatment for mugs for the major exporting nations. As Chart 1 reveals, total imports as well as imports from Korea, Taiwan and Brazil collectively have increased in volume since the USTR's denial of duty-free treatment to these three countries based on a review of 1985 and 1986 mug imports. Korea and Taiwan, in particular, continue to account for a sizable portion of mug imports and continue to sell in significant quantities at low prices under the current tariff.

Indeed, as noted earlier, imports from Korea have increased their market presence to now account for 40 percent of the U.S. market from a market share of 26 percent in 1985. Since Korea would be the main beneficiary of any temporary duty-free treatment granted on mugs, it is clear that such benefits are unnecessary. Korea and other countries have been able to substantially increase their mug exports to the United States at the current 13.5 percent rate of duty. Were this duty eliminated, it cannot be doubted that these imports would increase further and attempt to drive current U.S. producers out of business altogether.

It is also worthy of note that many of the major foreign mug producers already possess a competitive advantage over U.S. producers of ceramic mugs due to the significantly lower wage rates in most of these countries. Because the production of mugs is a labor-intensive operation, the disparity in wage rates alone provides these

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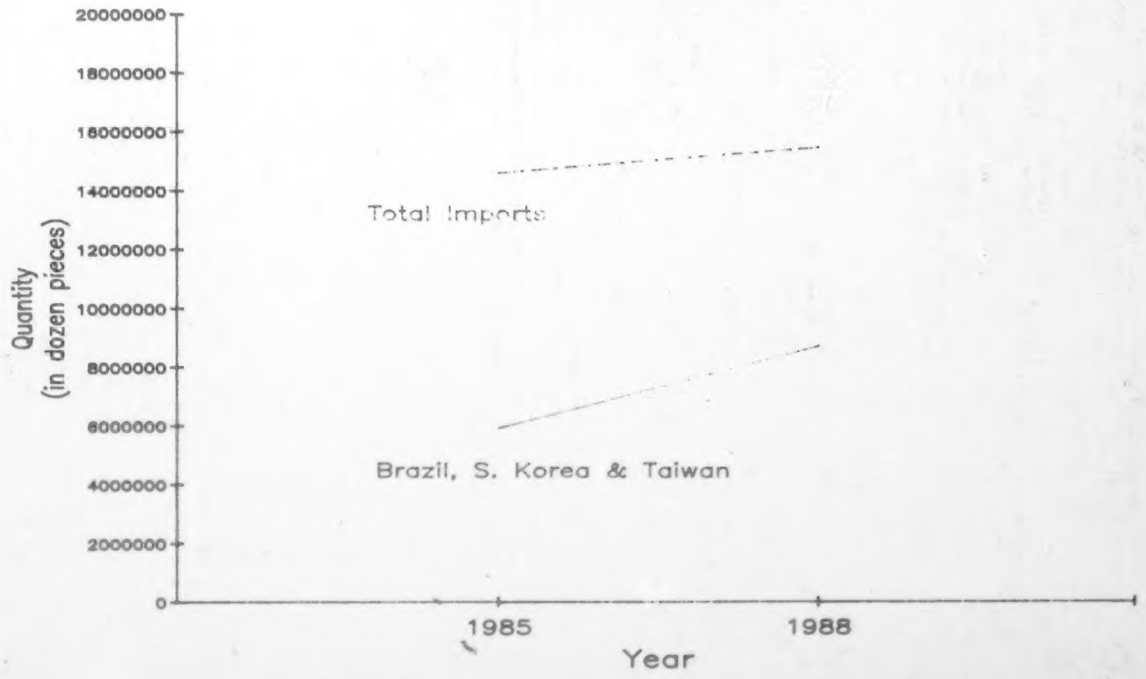
[1/] At the time of the GSP investigation, articles from Korea and Taiwan were still eligible for GSP duty-free treatment.

CHART 1

U.S. Imports of Mugs & Steins
Not Available in Specified Sets
TSUS No. 533.3000
1985 vs. 1988



foreign producers with a competitive edge over U.S. producers of mugs. This factor, too, militates against the temporary suspension of duties on mug imports.

D. Conclusion

In sum, the granting of temporary duty-free treatment to imported ceramic mugs would come at the expense of a U.S. industry that has already suffered at the hands of low-priced imports. The major exporting nations currently have a significant share of the U.S. market under present duty rates. Were that protection eliminated, the U.S. industry would find competition with imports virtually impossible. Accordingly, the Pfaltzgraff Co. opposes H.R. 1851 and urges that the bill be deleted from any miscellaneous tariff bill developed by Congress.

II. H.R. 1843

The second bill currently before the Subcommittee on Trade that Pfaltzgraff opposes is the bill to create a new tariff classification for opal borosilicate glassware, including ovenware and dinnerware, and to permanently reduce the tariff on such glassware from 30 percent to 7.2 percent as well as temporarily suspending the duty entirely for a period of three years. The purpose of this bill, according to the introductory statement by Congressman Bustamante, is to benefit Mexico "without detriment to U.S. manufacturers." Cong. Rec. E1173 (April 12, 1989). Pfaltzgraff submits that this bill should not be enacted because it would indeed cause problems for U.S. manufacturers and because it unfairly targets one beneficiary nation to the exclusion of others in violation of basic Most-Favored-Nation (MFN) principles.

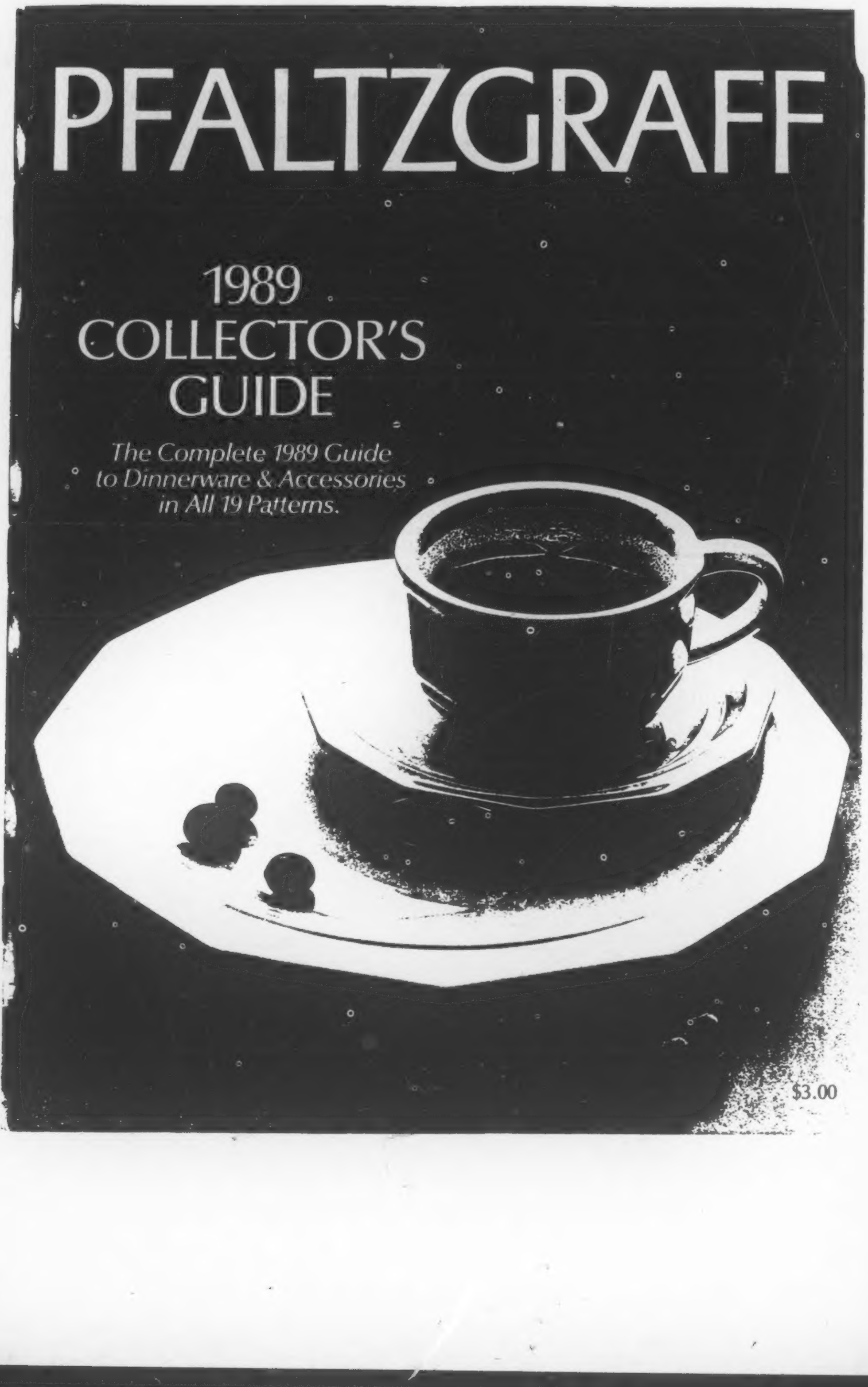
The Pfaltzgraff Co. is a domestic producer of ceramic ovenware and dinnerware products that are similar to and competitive with the opal borosilicate glass ovenware and dinnerware products identified in H.R. 1843. See Exhibit 1, Group C. Although the products identified in the bill are made of glassware while the Pfaltzgraff products are made of fine-grained earthenware, these products all compete with one another in the marketplace. Moreover, other U.S. companies, such as Corning Glass Works, manufacture glass dinnerware and ovenware products like the products identified in the bill.

Accordingly, the rationale underlying the bill -- that a 30 percent duty should not be imposed on this merchandise because "this product is no longer produced in the United States" -- is misplaced. Cong. Rec. E1174. Both like and directly competitive dinnerware and ovenware are manufactured in the United States. Thus, a substantial reduction or temporary elimination of import duties on this product would, indeed, be to the disadvantage of U.S. manufacturers of like or directly competitive products.

A second problem posed by this legislation is that it would unfairly favor Mexico over all other exporting nations. The bill states that the newly proposed tariff classification for kitchen and dinnerware sets of opal borosilicate glass is limited to those products "imported by truck directly from the country of origin . . . ." H.R. 1843, sec. 1. Congressman Bustamante's introductory statement makes plain that this caveat is to provide special treatment for glassware imported from Mexico.

Such an attempt to single out one trading partner and give it preferential duty treatment vis-a-vis other nations is a blatant violation of the nondiscriminatory, MFN principle in article 1 of the General Agreement on Tariffs and Trade (GATT). Article 1 of the GATT makes clear that all contracting parties are to provide nondiscriminatory treatment, including treatment with respect to the imposition of customs duties on imports, to all other contracting parties. The bill would discriminate against all other U.S. trading partners in favor of preferential treatment for Mexico. Because this preferential treatment for Mexico appears to be the thrust of the bill, for this additional reason H.R. 1843 should not be enacted by Congress.

Exhibit 1



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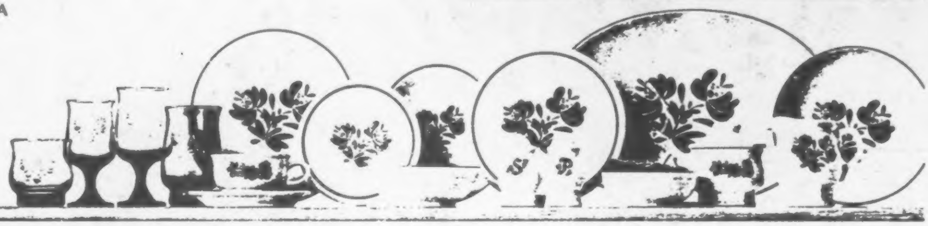

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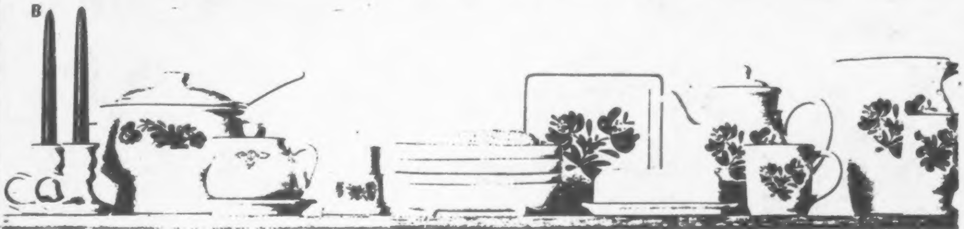

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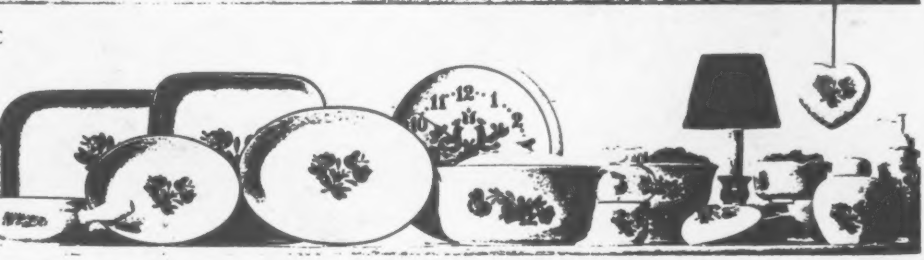
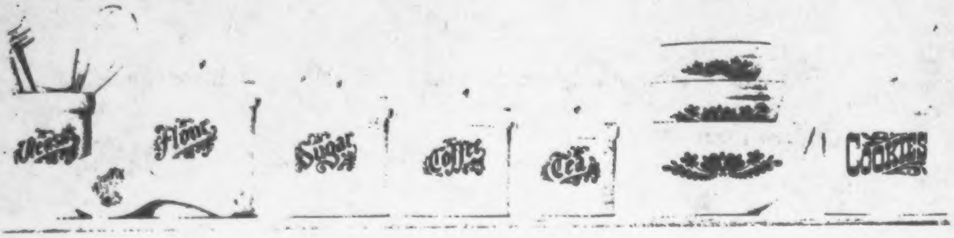


A.	40-705	Rocks/Juice, 8 oz., Set 4	$11.00
	40-701	Wine Goblet, 8 oz., Set 4	$17.00
	40-702	Water Goblet, 10 oz., Set 4	$19.00
	40-704	Cooler, 14 oz., Set 4	$17.00
	07-004	Dinner Plate, 10"	$4.50
	07-001	Cup, 8 oz.	$4.00
	07-002	Saucer, 6"	$2.00
	07-003	Salad Plate, 7"	$2.50
	07-012	Rim Soup Bowl, 8"	$7.25
	07-009	Soup/Cereal Bowl, 6"	$3.50
	07-005	Luncheon Plate, 8"	$5.25
	07-025	Salt & Pepper Set	$12.00
	07-008	Fruit Bowl, 5"	$4.75
	07-017	Platter, 16"	$25.00
	07-016	Platter, 14" (not shown)	$20.00
	07-020	Sugar & Creamer Set	$21.00
	07-011	Vegetable Bowl, 9" Round	$14.25
B.	07-564	Candlestick, 3½", pr.	$16.50
	07-160	Soup Tureen, 3½ qt.	$63.00
	07-433	Gravy Boat, 16 oz., w/Saucer	$19.00
	07-620	Table Lite, 10½"H, w/Candle	$10.50
	07-046	Corn Dish, Set 4	$23.00
	07-615	Trivet, 7½"	$10.50
	07-028	Covered Butter Dish	$11.00
	07-490	Beverage Server, 48 oz.	$35.00
	07-891	Coffee Mug, 10 oz., Set 4	$25.00
	07-416	Pitcher, 2 qt.	$25.00
	07-908	Pedestal Mug, 10 oz., Set 4	$32.00
C.	07-295	Onion Soup Crock, 10 oz.	$10.50
	07-236	Rectangular Baker, 2 qt.	$22.50
	07-240	Oval Baker, 7"	$8.50
	07-237	Square Baker, 9"	$17.50
	07-241	Oval Baker, 10½"	$10.50
	07-925	Clock, Stoneware, 10"	$48.50
	07-315	Casserole, 2 qt.	$31.50
	07-906	Mini-Lite w/Scented Candle	$8.00
	07-880	Footed Bowl w/Potpourri	$24.00
	93-186	Candlestick Lamp, 9"H w/Shade	$25.00
	07-832	Heart Box w/Potpourri	$16.00
	07-215	Potpourri Simmerer w/Potpourri	$16.00
	07-882	††Heart Pomander w/Potpourri	$15.00
	07-860	Ginger Jar w/Potpourri	$18.00
	07-903	Lotion Bottle w/4 oz. Lotion	$21.25
	07-032	Place Setting, 5 pc. – 1 ea. Cup, Saucer, Salad Plate, Dinner Plate, Soup/Cereal Bowl	$15.00
	07-035	Dinnerware Set, 20 pc. – 4 ea. Cup, Saucer, Salad Plate, Dinner Plate, Soup/Cereal Bowl	$60.00
	07-974	Serving Set, 2 pc. – 1 ea. Vegetable Bowl, Platter, 14"	$32.50



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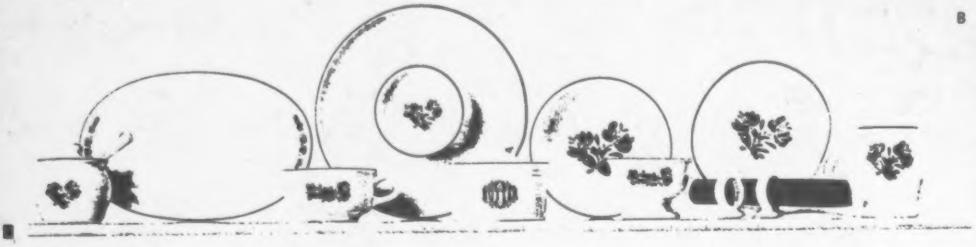

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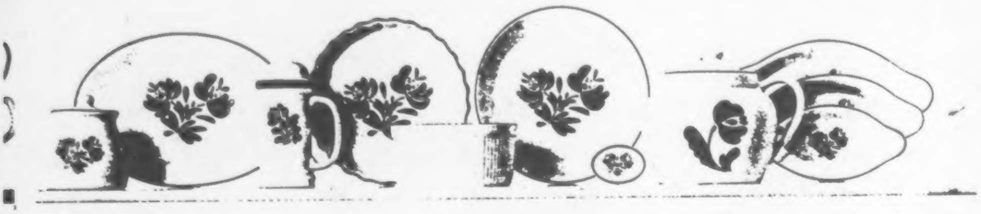

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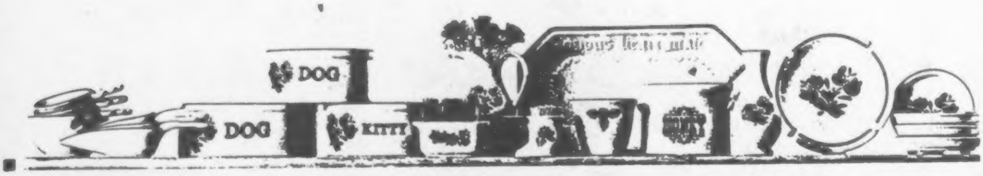

A.	07-500	Utensil Crock, 6½"H	$12.50
	07-515	Spoon Rest, 9"	$7.00
	07-520	Canister Set, 4 pc.	$68.50
	07-453	Mixing Bowl Set, 3 pc.	$37.50
	07-540	Cookie Jar	$25.00
B.	07-206	*Jam Pot, 12 oz., (Spoon not included)	$11.00
	07-780	*Deviled Egg Plate, 12½" × 8"	$12.50
	07-280	*Souper Mug, 14 oz.	$6.00
	07-180	*Chip 'n Dip, 12"	$23.00
	07-065	*Butter Tub (Holds 8 oz. Tub)	$12.50
	07-010	Bowl, 7"	$9.00
	07-95F	Dessert Server, 10 oz., Set/4	$30.00
	07-039	*Snack Tray, 11½" (Holds Coffee Mug. Mug not included)	$10.00
	07-013	*Napkin Ring, Set/4	$15.00
	07-88P	*Mug, 10 oz., Set/2	$12.50
C.	07-485	*Garlic Keeper, 5"H	$15.00
	07-007	*Steak/Fish Plate, 12" × 8½"	$9.00
	07-056	*Spice Shaker, 6½"H	$10.00
	07-233	Quiche, 9"	$17.50
	07-406	*Souffle, 1 qt.	$11.25
	07-576	*Pie Plate, 9"	$10.00
	07-85P	*Magnet, 2½", Set/2	$6.25
	07-070	*Bean Pot, 2½ qt.	$24.00
	07-270	*Au Gratin, 11"	$11.50
	07-265	Au Gratin, 9"	$9.50
	07-260	*Au Gratin, 7"	$7.00
D.	07-105	*Measuring Set, Set/4	$15.75
	07-100	*Scoop Set, Set/3	$12.50
	07-805	*Dog Dish, 48 oz., Lg.	$8.75
	07-803	*Dog Dish, 24 oz., Sm.	$7.50
	07-806	*Kitty Dish, 24 oz.	$7.50
	07-783	*Sweetener Holder	$5.00
	07-770	*Mini-Pitcher & Bowl Set, Pitcher 5"H, Bowl 6" Dia.	$12.50
	07-781	*Toothpick Holder, 2"H	$6.25
	07-528	*Bread Tray, 12" × 6"	$11.50
	07-57P	*Custard Cup, 6 oz., Set/2	$6.25
	07-480	*Honey Pot, 16 oz. w/Dipper	$15.00
	07-815	*Bud Vase, 5½"H	$11.25
	07-61P	*Ashtray, 6½", Set/2	$12.50
	07-701	*Coaster Ashtray, 4", Set/4	$10.00
	07-086	Napkin Holder (not shown)	$10.50
	07-346	†Covered Casserole Serving Dish 24 oz. (not shown)	$17.50
	07-464	*Batter Bowl, 2 qt. (not shown)	[illegible]
	07-120	*Tier Server, [illegible] (not shown)	$24.00

*Exclusive item available only through Pfaltzgraff Consumer Services and Pfaltzgraff Factory Stores, often in a limited supply.

†Limited availability.

H.R. 1844

To suspend temporarily the duty on 1,5 naphthalene diisocyanate.

BASF Corporation

BASF

Engineered Components

May 30, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons' notice of May 3, 1989, I am writing to express BASF support for H.R.1844 introduced by Representative Coyne to suspend the import duties on 1,5 Napthalene Diisocyanate (NDI).

BACKGROUND AND USES

NDI is currently used by BASF as a major raw material in the production of elastomeric auto parts. These parts are supplied to the leading U.S. automakers.

These parts are currently manufactured in Wyandotte, MI using NDI as a key ingredient. This plant has been operational for one year and has added approximately 60 jobs. We will produce the following volumes of parts:

	Million Parts
1988	8.9
1989	10.5
1990	11.5
1991	12.5

These parts were previously purchased in West Germany and imported to the U.S.

COMPETITIVE SITUATION

NDI is an expensive material with unique and specific characteristics. It is not currently or previously available from U.S. sources. The market demand for this material is not great enough to justify U.S. production at this time. Current source of supply is from West Germany.

1609 Biddle Avenue, Wyandotte, Michigan 48192-3799 1-313-246-6100

Toluene Diisocyanate (TDI) and Diphenylmethane Diisocyanate (MDI), other elastomers which BASF produces in the U.S., are not replacements for NDI, nor do these raw materials compete in this market. Elimination of the import duty is important to the economical production of polyurethane elastomer parts in the U.S. for domestically produced cars.

We respectfully urge the Committee to give favorable consideration to H.R.1844.

Sincerely,

Albert W. Winterman
Director, Automotive Business
Plastic Materials Group
BASF Corporation

AWW/ma

cc: The Honorable J. Dingell
U.S. House of Representatives
2221 Rayburn Bldg.
Washington, DC 20515-2216

WRITTEN STATEMENT ON BEHALF OF MOBAY CORPORATION ON H.R. 1844

BY DONALD BIRNIE, MARKET MANAGER, URETHANE ELASTOMERS AND

PAUL G. GEMEINHARDT, DIRECTOR, COMMUNICATIONS & ADVOCACY FOR CHEMICAL INDUSTRY ISSUES

SUMMARY

Mobay Corporation urges a favorable vote on H.R. 1844 that proposes a three year suspension of duty on 1,5-naphthalene diisocyanate (NDI) because:

- American industry will not be harmed by suspending the duty on imported NDI since there are no U.S. producers;
- a unique character of downstream materials produced from NDI is helping the U.S. automotive industry to compete within its own market against foreign imports;
- the suspension of duty will make NDI more attractive for commercial uses of this versatile chemical raw material because of lower costs;
- the lower cost of NDI resulting from a duty suspension would provide additional incentive for continuing end use research that could lead to broader areas of use in the consumer products market, in industrial markets and the military; and
- additional jobs would be provided for American workers by encouraging the production of unique products based on NDI in the United States instead of importing them from Europe.

STATEMENT

Mobay Corporation, a member of the Bayer USA, Inc. group whose parent is Bayer AG of Leverkusen, Germany, is headquartered in Pittsburgh, PA Since its formation in the early 1950s Mobay has become a diversified manufacturer of chemical intermediates and polymeric resins, supplying products to broad areas of U.S. industry having need for polyurethane raw materials and polymers, agricultural chemicals, dyestuffs, pigments, plastics, coating ingredients, and textile fibers.

Mobay imports NDI from its parent company. Bayer is one of only two companies throughout the world that manufactures the chemical. There are no producers in the United States.

NDI is well known in Europe as a precursor in the formation of high strength synthetic rubbers that also exhibit exceptional resistance to water and heat. Called Vulkollan, these specialty elastomers or rubbers have found commercial use in applications requiring excellent abrasion resistance and dynamic properties. Because they are difficult to process and are costly to make, the Vulkollans can not and do not compete with more conventional isocyanate-based rubbers. As a result, they are used in applications where conventional materials do not satisfy end use requirements and specifications. Many parts, based on Vulkollan, are being imported from Europe.

For years, Mobay has offered NDI to the American market through its Polyurethane Division under the tradename DESMODUR 15. Because there were no commercial applications during this period, the economic impact of the high tariff (13.5% ad valorem) has been negligible. NDI was used solely in research and development work.

Within the last 3-4 years, however, such downstream materials, made with NDI, have found commercial utilization. In the U.S. automotive industry's quest for smaller, lighter weight and fuel efficient automobiles, interest peaked in the kinds of rubbers made possible with NDI. A need developed for high performance shock absorbing member parts in the suspension systems of newly designed models of front-wheel drive vehicles. That need was satisfied with rubber parts made from NDI. No other natural or synthetic rubber was found to perform as well in this demanding application. In addition to satisfying the high performance requirements of the application, the use of NDI-based rubbers allowed for a significant reduction in the size and weight of the front-end assembly. This contributed to the car's overall smaller size and lower weight resulting in lower cost and more fuel efficient operation for the end user.

NDI-based rubbers are being used commercially in the front-end suspension systems of many new models of domestically assembled front-wheel drive automobiles. With such models, the domestic auto industry is again becoming competitive within its own market against foreign imports. At a time when worldwide competitive forces continue to push our industries even harder to produce quality products in an efficient and cost effective manner, it seems ill-advised to impose additional burden on manufacturers and the consuming public by taxing products such as NDI.

Because of the growing popularity of these front-wheel drive cars, as manufactured in the U.S., demand for NDI-based rubbers is on the rise and thus, NDI as well. In 1989, Mobay expects to import about 500,000 lbs of NDI. WE expect consumption to grow at an estimated annual growth rate of 10 percent. At the prevailing duty rate, the suspension would save the American consumer about 700 thousand dollars. Suspending the duty on NDI would also make the corresponding rubber products more cost attractive for potentially new applications. One of these involves an interest by the U.S. Military. In a continuing search for improved materials on equipment used for our national defense, the Military is evaluating rubbers made from NDI as track threads for the M1 and M60 tanks. The testing of NDI based rubber treads is underway at the Yuma, Arizona testing grounds under the supervision of the Motorized Vehicle Command.

To summarize, Mobay strongly supports H.R. 1844 that proposes a temporary, three years suspension of duty on NDI because:

- exemption of the ad valorem duty on NDI for a period of three years would benefit U.S. industry and labor, as well as the American consumer, without creating unfair competition for domestic producers of urethane intermediates;
- NDI opens the door to a unique elastomer technology for American urethane elastomer processors who are small businessmen;
- the exemption would eliminate the current cost penalty to U.S. industry of about 700 thousand dollars that will increase over the requested period of suspension;
- no harm would come to American industry because there are no domestic producers of NDI;
- it would provide additional jobs for American workers by encouraging production of unique Vulkollan parts in the United States instead of Europe;
- benefits would come to the U.S. chemical industry which would supply other chemical raw materials to react with the NDI;
- this action could lay the groundwork for establishing NDI production capacity in the United States in the future;
- even without duty, NDI-based elastomers/rubbers are much more expensive than other urethane elastomers, and would not compete with them; and
- the unique properties of NDI-based elastomers/rubbers will open application areas in the U.S. market where other urethane-based materials do not meet performance requirements.

We urge the committee to pass H.R. 1844. If additional information is needed, please contact P. Gemeinhardt (412/777-4875) or D. Birnie (412/777-2635).

RHÔNE-POULENC

CORPORATE AFFAIRS DEPARTMENT
RHÔNE-POULENC INC.
METROPOLITAN SQUARE - SUITE 255
655 15TH STREET, N.W., WASHINGTON, D.C. 20005
TELEPHONE: (202) 628-0500
FAX: (202) 628-8622

JOSEPH J. MARTYAK
DIRECTOR

May 31, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

By this letter, Rhone-Poulenc Inc. ("Rhone-Poulenc" or the "Company") registers its comments in opposition to H.R. 1844, a bill to suspend temporarily the duty on 1,5 naphthalene diisocyanate.

Rhone-Poulenc manufactures high performance ceramics and rare earths in over 40 facilities in the United States. Rhone-Poulenc is one of two domestic producers of polyisocyanate resins, used by the Company's downstream customers in the production of polyurethane coatings. Recently, Rhone-Poulenc has made significant investments for the development of polyisocyanate technologies and the manufacture of polyisocyanate resin products. In March 1988, Rhone-Poulenc brought on-stream a plant at Freeport, Texas, which manufactures such polyisocyanates for both domestic and export markets. In addition, Rhone-Poulenc is presently considering expanding its facilities to produce, among other products, feedstocks used in the manufacture of these polyisocyanates resins. The economic viability of these investments would be threatened by H.R. 1844.

Rhone-Poulenc Inc. has developed a product which will compete downstream with 1,5 naphthalene diisocyanate, which is the subject of H.R. 1844. However, production of this competing product requires, as a feedstock, 1,6 hexamethylene diisocyanate (HDI-monomer). The import duty on HDI-monomer is 16.2 percent _ad valorem_ plus 2.9¢ per kilogram. The present duty for 1,5 naphthalene diisocyanate is 13.5% _ad valorem_, essentially equivalent to the duty for HDI-monomer. If the duty for 1,5 naphthalene diisocyanate is suspended, Rhone-Poulenc's efforts to produce and market its competitive product will be severely inhibited, and the Company's present and future investment in polyisocyanate resin technology will be threatened. For these reasons, Rhone-Poulenc respectfully urges the Committee not to approve the duty suspension mandated under H.R. 1844. If the duty on 1,5 naphthalene diisocyanate is suspended, then, to retain a level playing field, the current duty on 1,6 hexamethylene diisocyanate must also be suspended.

Sincerely,

Joseph J. Martyak

Joseph J. Martyak

Rhone-Poulenc Inc. is the wholly owned subsidiary of Rhone-Poulenc S.A., a French corporation.

H.R. 1848

To provide duty-free treatment for operatic sets, scenery, and properties imported by certain nonprofit, cultural organizations.

STATEMENT TO THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES
THE HONORABLE SAM M. GIBBONS (D-FL), CHAIRMAN

Submitted by Martin I. Kagan, Executive Director,
OPERA America, Inc., on May 30, 1989

On behalf of OPERA America, the nonprofit service organization for the professional opera companies in the United States, I am pleased to submit this statement in support of H.R. 1848. This bill was introduced by Representative Tom Downey on April 12, and provides for the duty-free importation of operatic sets, scenery, and properties by certain nonprofit cultural organizations.

In sponsoring this legislation, Representative Downey is addressing a problem facing nonprofit opera companies that import sets, scenery and properties into the United States from abroad. The problem arises because, under the new Harmonized Tariff Schedule, which took effect in January 1989, a duty is placed on all theatrical scenery (5907.00.00) without distinguishing between their use by nonprofit artistic organizations and commercial ventures. In contrast, there continues to be a provision for the duty-free importation of costumes by nonprofit companies.

Sets play an essential role in opera. They are intricately interwoven into the artistic vision of an opera production. Opera sets are carefully created by highly skilled designers and artists. Each set, which has its own artistic value, reflects a distinctive style and determines the mood for an entire production. Without the sets, an opera production would fail to fulfill the expectations of the audience and the standards of excellence sought by American opera companies.

Because all professional opera companies in America are nonprofit 501(c)(3) entities, none are engaged in commercial enterprises for private profit. Ticket sales cover only 45% of a company's budget, with government grants and private donations raised to meet the deficit. All of these companies operate under fragile budgets, and for those importing scenery, the additional expense of paying a duty exacerbates an already arduous financial situation.

Opera in this country is attracting broader audiences than ever, and American companies are admired and respected the world over for the quality of their productions. However, this recognition comes at a cost. Opera companies are stretching their limited resources and tight budgets to capacity.

All elements of the opera - drama, voice, music, dance, properties, sets and scenery - are important and must blend harmoniously to bring a production to life and to maintain the high standard expected. Each part is integral to the continued health of the field.

In summary, the duty-free flow of scenery, sets and properties worldwide is essential to the well-being of opera, which is truly an international art form. With the passage of H.R. 1848, which amends the Harmonized Tariff Schedule, there will be a very clear restitution of the duty-free importation of scenery for nonprofit opera companies.

H.R. 1850

To provide for the temporary suspension of the duty on certain Christmas ornaments.

Hallmark
Cards

HALLMARK CARDS INCORPORATED
KANSAS CITY, MISSOURI 64141

May 31, 1989

The Honorable Sam M. Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I submit this letter on behalf of Hallmark Cards, Inc. in accordance with your request for written comments on certain tariff and trade bills. Hallmark supports the suspension of duty on certain Christmas ornaments as provided for under HTS 9505.10.25. The product is subject to an MFN duty of 5 percent ad valorem. The duty suspension bill is H.R. 1850 and is sponsored by The Honorable Bill Frenzel.

Hallmark Cards seeks this temporary suspension of the U.S. duty on Christmas ornaments because we believe it would enhance our competitiveness and the competitiveness of other members of the U.S. Christmas decoration industry without harming any U.S. companies. The reduction in duty would also be of significant benefit to U.S. consumers.

Hallmark Cards, Inc. is the largest U.S. producer of greeting cards and other gift items, with annual sales over $2.3 billion. A privately-held firm based in Kansas City, Missouri, Hallmark employs 19,000 full-time workers and 10,000 part-time workers. Since its founding in 1910, Hallmark has enjoyed substantial success as a manufacturer of greetings cards, is the leading supplier of greeting cards to the U.S. market and has a substantial distribution network serving the world market. Hallmark produces more than 11 million greeting cards per day in 20 different languages and distributes them in more than 100 countries.

Although greeting cards are still the mainstay of Hallmark's operations, our company has selectively diversified its product line. Drawing on our extensive

NATIONAL AFFAIRS OFFICE
1615 L Street, N.W., Suite 1220, Washington, D.C. 20036 (202) 659-0946

distribution channels, which include 21,000 retail shops, department stores and drug stores, Hallmark now markets a range of products that include calendars, fashion accessories, plush toys, stoneware mugs, jigsaw puzzles, writing papers, pens, and party goods.

To fill its expanding product line, Hallmark has turned to both domestic and foreign suppliers. Where there is no U.S. production of particular products, Hallmark relies upon imports and, in some cases, uses imports to fill out product lines available from U.S. manufacturers. Most of the range of products manufactured by Hallmark Cards, Inc. are produced in the United States. With respect to our Christmas ornaments, certain designs are manufactured in our Leavenworth, Kansas plant. These ornaments, made of injection-molded plastic, contribute to Hallmark's Christmas ornament line. We can not rely only on this domestic production. Without sourcing from overseas, it is very likely that Hallmark would not be in the Christmas ornament business.

Hallmark's imports of Christmas ornaments overall have grown in recent years, reflecting the increasing reliance on imports by the industry as a whole. Hallmark sources the majority of its uniquely designed ornaments in foreign countries, but relies on U.S. manufacturers for simple satin or glass balls, which are virtually the only types of Christmas ornaments still mass-produced in the United States. The majority of Hallmark's imports are from the PRC; other important suppliers are the Philippines, Sri Lanka, Thailand and Taiwan.

Christmas ornaments have enhanced Hallmark sales not only in the United States but, along with other Christmas season products, all over the world -- from Canada to Australia. During the Christmas season, a Hallmark store provides consumers with an assortment of seasonal products. Our consumers have become dependent on seeing and purchasing Hallmark Christmas ornaments at the holiday time.

Specifically, the articles covered by H.R. 1850 are Christmas ornaments of plastic, ceramic, and materials other than glass or wood, as provided for under HTS subheading 9505.10.25. The primary uses for these products are as seasonal decorations to adorn Christmas trees and wreaths and to enhance other Christmas decorations. Ornaments entered under HTS 9505.10.25 include a variety of shapes, sizes and materials, ranging from collectible items to highly detailed globe- or spherically-shaped ornaments and miniatures. All ornaments imported by Hallmark, and most of the items imported under this HTS subheading, are constructed from fiber-reinforced plastic, high impact styrene or porcelain.

Hallmark's imports under this HTS subheading may be viewed as falling into four major categories: lighted/motion, miniature, collectible and other plastic and porcelain ornaments.

Most of the lighted/motion ornaments boast a distinctive and original design developed exclusively by Hallmark's creative staff in Kansas City, Missouri. These ornaments contain a three-dimensional scene with a movable element, and are often illuminated by an interior light attached to the consumer's string of Christmas tree lights. These ornaments are notable for the intricacy of the three-dimensional scenes contained inside, and are a unique line of Christmas decoration. To the best of Hallmark's knowledge, there are no U.S. producers of this type of Christmas ornament.

The miniatures imported and sold by Hallmark are a new line of product intended as ornaments for table-size Christmas trees.

The collectible items imported by Hallmark are produced in a series and frequently have the year visibly inscribed on the ornament. Again, the items represent Hallmark-designed figures and scenes and are made of molded plastic.

The other category of plastic and porcelain ornaments accounts for the largest share of Hallmark imports under this subheading. Imports in this category consist primarily of molded plastic figures and scenes designed by Hallmark artists exclusively for Hallmark.

The articles of concern are eligible for duty-free treatment under the U.S. Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI). On January 2, 1987, Hallmark Cards was granted a waiver of the GSP's competitive need limits for Christmas ornaments when imported from Hong Kong, thereby ensuring that such imports would continue to enter free of duty. However, Hong Kong's GSP status was terminated on January 1, 1989 when it, together with other newly industrialized countries of Asia, was graduated from the GSP program.

Based on our knowledge and involvement in this consumer product market, we do not believe these products to be import sensitive. Hallmark ornaments are not considered to be in direct competition with either the specialty and/or hand-crafted products made of glass or wood, nor the extreme low-end ornaments produced in the United States.

All information relevant to our imports of these categories of Christmas ornaments has been provided to the International Trade Commission. Hallmark Cards respectfully urges the Subcommittee on Trade to act favorably on H.R. 1850, and I thank you for your consideration.

Sincerely,

Joseph E. Nesselhuf

Joseph E. Nesselhuf
Corporate Director
Product Buying Services/Import

[THE ATTACHMENT TO THIS LETTER IS BEING RETAINED IN THE COMMITTEE FILES.]

Serko & Simon
Counsellors at Law
Customs & International Trade Law

One World Trade Center . Suite 3371
New York, N. Y. 10048 . 212-775-0055
Telex: 426818 Trade Cable: Trade Attys
Facsimile: 212-839-9103

Metropolitan Square . Suite 300
655 Fifteenth Street, N.W.
Washington, D.C. 20005 . 202-639-4017

Bank South Building . Suite 1400
Atlanta, Georgia 30303 . 404-659-4488

Banco de San Juan Building
Suite 302 . P.O. Box 3222
Old San Juan, P.R. 00904 . 809-723-3672

New York - May 30, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Bldg.
Washington, D.C. 20515

Re: Comments on HR 1850

Dear Mr. Leonard:

On behalf of our client, Russ Berrie & Company, Inc. (Russ Berrie) of Oakland, New Jersey, we are writing in support of HR 1850 introduced by Congressman Bill Frenzel. This bill would temporarily suspend duty on certain Christmas ornaments.

Russ Berrie is an importer and distributor of Christmas ornaments, stuffed animals, giftware, toys and dolls. Its product line contains more than 10,000 different items which are sold and distributed throughout the country.

Russ Berrie's rapid growth over the past several years has been widely reported in the American business press. It is a public company listed on the New York Stock Exchange.

Russ Berrie sales for 1988 were in excess of $250,000,000, and it currently employs over 1,700 people. The company had 400 employees in this country in 1980, and sales exceeded $34,440,000. The company believes that price stability is important for future growth and profitability.

In times of reduced value of the U.S. dollar, Russ Berrie has found that the prices of many of the products it has purchased have increased greatly.

HR 1850 would temporarily suspend the duties for all Christmas ornaments other than of glass or wood, entered on or before December 31, 1994. These articles are currently provided for in subheading 9505.10.2500 of the Harmonized Tariff Schedule of the United States Annotated (HTSUSA). HR 1850 would amend chapter 99 of the HTSUSA by inserting a new subheading 9902.95.05.

Subheading 9505.10.2500 covers all Christmas ornaments other than of glass or wood. The articles covered by HR 1850 includes ornaments of materials, such as plastic, ceramic, base metals, porcelain and textiles but does not include glass or wooden ornaments.

Based on our research at the Commerce Department, there is no industry information available on Christmas ornaments made from these enumerated materials.

Our client informs us that to its knowledge there is no domestic commercial industry producing Christmas ornaments, with the exception of high priced hand-made craft items which do not compete with imported Christmas ornaments.

Most of these ornaments are relatively inexpensive and are primarily produced in the Orient. The major producers are Taiwan, China, Hong Kong and Korea. A reduction in duties on these items would allow Russ Berrie and other importers to maintain price stability at a time when falling dollar values in Asia have caused prices to rise on imported Christmas ornaments.

In the past four years the value of the dollar has dropped by approximately fifty percent. Even with a current rise in the dollar's value of 6%, prices for most imported products have increased sharply.

There is a real concern in the industry that continued increases in prices will result in reduced sales and a loss of domestic jobs in sales and distribution.

In the past year the Russ Berrie Company has had to lay off two hundred fifty employees, and the company lost sales of some $20 million. In 1989 these losses caused the company to take an additional write-off of $9.5 million in assets.

Since there is no U.S. production of these items, the granting of duty suspension will have no adverse effect upon a United States industry, but it will have a positive effect on the toy industry by increasing sales, employment and profits. Savings in cost will be passed on to the consumer and will result in increased sales. Increased sales will result in increased employment.

Therefore, on behalf of our client, Russ Berrie & Company, Inc., we strongly urge favorable consideration by the Ways and Means Committee of this bill to temporarily suspend the duty for Christmas ornaments other than of glass or wood under HSTUSA 9902.95.05.

We respectfully request an opportunity to appear at any scheduled hearing for HR 1850.

Thank you for your consideration of our request.

Sincerely,

SERKO & SIMON

Joel K. Simon

Joel K. Simon

H.R. 1851

To suspend temporarily the duty on ceramic mugs not in sets.

CORNING

Corning Glass Works
1455 Pennsylvania Ave., N.W.
Suite 500
Washington, D.C. 20004
Tel: 202-347-2291

Timothy J. Regan
Director, International Programs

May 19, 1989

Mr. J. Michael Hickey
Professional Staff Member
Subcommittee on Trade
Committee on Ways and Means
1136 Longworth House Office Building
Washington, DC 20515

Dear Mike:

I'm writing to advise you that Corning is opposed to H.R. 1851, a bill introduced by Congressman Frenzel to temporarily suspend the duty on ceramic mugs not in sets. We are currently discussing the possibility of a compromise to this bill which Corning could support. However, since you are working on H.R. 1851 in its current form, I feel it's necessary for me to advise you of our strong opposition to the bill as it currently stands.

Currently, Corning is importing mugs from Japan and Thailand. Imports from Thailand enter duty-free under GSP, while we pay a 13.5 percent duty on imports from Japan. We source from offshore simply because it is less expensive to import mugs than to produce them ourselves in the United States.

But imports are beginning to lose their relative price advantage. As you can see from the enclosed import data, unit import prices for mugs have increased from around $5.00 per dozen pieces in 1986 to $6.40 per dozen pieces in 1988.

As a result, Corning plans to re-evaluate its previous sourcing pattern for mugs. We would like to shift to U.S. based production. If the economics continue on their current trend, we may be able to source our mugs from our plant in Charleroi, Pennsylvania beginning in 1991 or 1992. This will bring jobs to a part of the country that desparately needs them.

Suspending the duty may well change the economics driving our future sourcing decisions. As you know, the duty suspension will apply to imports from all 36 foreign suppliers. Most of these imports are dutiable at 13.5 percent. Nearly 80 percent of the imports enter from Brazil, Japan, Korea, and Taiwan, none of which receive GSP treatment on their mug shipments. If the duty is suspended, we believe that most of the 36 foreign suppliers of mugs to the United States would cut their prices, depressing the U.S. price and undermining the economic trends that are driving us toward sourcing our mugs in the United States.

It probably has been noted by the bill's supporters that, in previously granting GSP on these mugs, the Trade Policy Staff Committee implicitly found that duty-free status would not adversely affect the industry. This point is invalid because GSP never applied to imports from the primary suppliers, Brazil, Japan, Korea, and Taiwan. These suppliers accounted for nearly 80 percent of total imports under TSUS 533.30 in 1988. Clearly, the impact on the industry of duty-free status on 20 percent of the imports that receive GSP is far less adverse than the negative impact of duty-free treatment for all imports. We believe that the duty suspension would be very damaging to the glass and ceramic kitchenware industry which is already suffering from a decline in producer shipments and increased import penetration.

In light of the above, we strongly urge the Committee to reject H.R. 1851 in its current trying form. We will continue working with the bill's sponsors to develop an alternative that Corning can support.

Please call me if you have any questions regarding our position.

Sincerely,

Tim Regan

TJR/cmc
Enclosure
ltr5-5c

1988 Imports of Mugs and Steins
(TSUS 533.30)

	VOLUME (dozen pieces)	VALUE ($000)
Korea	6,406,192	31,882
Japan	2,642,758	23,525
Taiwan	1,904,468	14,824
Brazil	410,378	8,304
PRC	1,872,829	5,950
U.K.	779,574	5,344
FRG	212,537	3,953
Thailand	513,577	1,162
Hong Kong	277,124	1,004
Italy	27,565	698
Others	442,008	2,531
TOTAL	15,489,010	99,177

1985-88 Imports of Mugs and Steins
(TSUS 533.30)

	1988	1987	1986	1985
Value ($000)	99,177	99,466	79,394	75,096
Volume (dozen pieces)	15,489,010	18,435,001	15,172,536	14,620,052
Unit Values	6.40	5.40	5.04	5.14

Sources: Department of Commerce, Bureau of the Census,
Report IM-146

mm5-8

Hallmark Cards

HALLMARK CARDS INCORPORATED
KANSAS CITY, MISSOURI 64141

May 31, 1989

The Honorable Sam M. Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This letter is submitted on behalf of Hallmark Cards, Inc. in support of H.R. 1851, a bill to temporarily suspend the duty on ceramic mugs not in sets, provided for under HTS 6912.00.44. I appreciate your consideration of this tariff measure, sponsored by The Honorable William Frenzel, and am pleased to provide you with this statement of our support.

It is our view, that a temporary suspension of the duty on this product, which is 13.5 percent ad valorem, would benefit the U.S. consumer by keeping costs competitive.

First, I want to familiarize you with our company. Hallmark Cards, Inc. is the largest U.S. producer of greeting cards and other gift items, with annual sales over $2.3 billion. A privately-held firm based in Kansas City, Missouri, Hallmark employs 19,000 full-time workers and 10,000 part-time workers, in facilities in many different states. Since its founding in 1910, Hallmark has enjoyed substantial success as a manufacturer of greetings cards, is the leading supplier of greeting cards to the U.S. market, and has a substantial distribution network serving the world market.

With the changing interests of consumers in giftware products, Hallmark has diversified its product line to reflect the changes. Through our extensive distribution channels, which include 21,000 retail shops, department stores and drug stores, Hallmark now markets a range of products that include home decorations, party goods, plush toys, gift wrap, crayons, writing papers, Christmas ornaments and stoneware mugs.

NATIONAL AFFAIRS OFFICE
1615 L Street, N.W., Suite 1220, Washington, D.C. 20036 (202) 659-0946

To fill our expanding product lines, Hallmark has turned to both domestic and foreign suppliers. Where there is no U.S. production of particular products, Hallmark relies upon imports and, in some cases, uses imports to fill out product lines available from U.S. manufacturers.

Ceramic mugs covered by H.R. 1851 are mugs made of ceramics other than porcelain or china. This would encompass stoneware and earthenware mugs as provided for in HTS subheading 6912.00.44. Hallmark's imports under this HTS subheading mainly are stoneware mugs with applied decals which depict designs or phrases, not sold in sets. These mugs are decorated by using decals with words or phrases, often in combination with designs or graphics. These decals are adhered to the mugs by the final firing that takes place in the manufacturing process. These mugs are sold almost exclusively as individual gifts.

The mugs depict designs created by Hallmark artists and designers for the exclusive use of Hallmark. The majority of this artwork is done by our employees at our international headquarters in Kansas City, Missouri. A catalogue featuring some of the products in this line is included for the record for the benefit of reference to the Committee.

Hallmark mugs are primarily sourced in Taiwan and Korea. Although we are also looking in Thailand and Malaysia for production capabilities. It takes time for vendor development and the country's infrastructure to improve in order to handle new volumes of business. It could take several years before we can count on getting needed quality production from these lesser GSP countries.

The type of ceramic mug we import is commonly decorated as a specialty product and would not be considered a standard consumer product such as hotel china or standard dinnerware or china. These mugs are manufactured by whiteware producers using local ceramic materials available in the foreign origin countries. These same producers oftentimes produce products for the hotel chinaware and the utility tableware industry from a similar material base. Mugs are usually produced in batch operations that are secondary to the larger primary volumes of dinnerware produced in these same plants.

Because this type of mug can be faddish and driven by the ad specialty business with small runs of less than 1,000 pieces, volumes have not proven sufficient in their side products to warrant U.S. production which is highly automated versus a foreign manual batch process. Thus, these mugs are not competitive to the higher standards of the dinnerware industry.

Given the labor intensiveness of the process for the mug Hallmark imports, and given the giftware consumer market for which it is intended, any U.S. production of this kind of mug at the limited quantity of each run, has been dormant. We have proposed narrowing the language of H.R. 1851, however, so as to avoid the possibility of being too broad and possibly affecting a domestic producer of a product not like Hallmark's, but included in the same tariff classification. Therefore, we hope to diminish the scope of the product range by creating a new tariff classification for ceramic mugs not sold in sets, with applied decals which depict designs or phrases, such as is produced to sell as gifts. This proposed language substitution is welcomed by one company, Corning Incorporated, which had expressed concern over the broad effect of the duty suspension request. We are also committed to pursuing in the future any domestic production of the product now imported when and if that is possible.

Lastly, the subject articles are eligible for preferential duty-free treatment under the Caribbean Basin Initiative (CBI) and, on July 1, 1987, were added to the list of articles eligible for duty-free treatment under the Generalized System of Preferences (GSP). The GSP action was taken after a 13-month review in which the U.S. International Trade Commission and the Interagency Trade Policy Staff Committee took into account, inter alia, the probable economic effect of duty-free imports on any U.S. producers.

With the above qualifications, Hallmark Cards respectfully asks the committee to give favorable consideration to H.R. 1851.

Sincerely,

Joseph C Nesselhuf

Joseph Nesselhuf
Corporate Director
Product Buying Services/Import

[THE ATTACHMENT TO THIS LETTER IS BEING RETAINED IN THE COMMITTEE FILES.]

Serko & Simon
Counsellors at Law
Customs & International Trade Law

One World Trade Center . Suite 3371
New York, N.Y. 10048 . 212-775-0055
Telex: [illegible] Trade Cable: Trade [illegible]
Facsimile: 212-839-9403

Metropolitan Square . Suite 300
655 Fifteenth Street, N.W.
Washington, D.C. 20005 . 202-639-4007

Bank South Building . Suite 1400
Atlanta, Georgia 30303 . 404-659-4418

Banco de San Juan Building
Suite 302 . P.O. Box 3222
Old San Juan, P.R. 00904 . 809-723-3672

New York - May 30, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102, Longworth Office Building
Washington, D.C. 20515

Re: H.R. 1851 to suspend temporarily the duty on ceramic mugs not in sets

Dear Sir:

This statement is submitted by Joel K. Simon, of the New York Customs and International Trade Law firm of Serko & Simon, One World Trade Center, Suite 3371, New York, New York 10048. Telephone number (212) 775-0055. On behalf of our client, Russ Berrie & Company, Inc., we respectfully submit this statement in support of H.R. 1851, a bill to suspend temporarily the duty on imported ceramic mugs not in sets.

The primary objective of H.R. 1851 is to temporarily suspend duty on ceramic mugs not in sets. This bill has two sections. The first section provides a new item number to subchapter II of Chapter 99 of the Harmonized Tariff Schedule of the United States with the temporary suspension of duty on certain ceramic mugs not in sets.

The second section of the bill sets forth the effective date governing this legislation. The enactment would not present any unusual administrative problems or costs for the U.S. Customs Service.

Our client Russ Berrie & Company Inc., 111 Bauer Drive, Oakland, N.J. 07436 (Russ Berrie) is a Public Corporation whose shares are traded on the New York Stock Exchange. The company is an importer and distributor of mugs, steins, and other ceramic articles, and giftware. Its product line contains over 10,000 different items which are sold in more than 80,000 outlets and in every state of the union.

Russ Berrie sales in 1988 were in excess of $250,000,000, and it currently employs over 1,700 people. The company had 400 employees in this country in 1980 and sales exceeded $34,440,000. The company believes that price stability is important for future growth and profitability.

Russ Berrie's primary source for mugs is Korea, China and Thailand.

Some of the mugs that Russ Berrie imports have humorous and non-humorous messages printed on them. Some mugs have designs while others have no messages or designs on them. They are not sold in sets and are considered to be impulse types of items or souvenir purchases. Research was conducted at the Bureau of Census of the Department of Commerce in an attempt to obtain domestic information on the production of mugs and steins.

It appears that there are no government or trade studies on the domestic production of this specific commodity. An informal survey was taken of a number of chain stores in the New York City area that sell mugs and steins. These stores are typical of similar stores selling mugs and steins throughout the United States. Our survey indicates that most mugs available for sale are imported.

The United States Department of Commerce statistics for the importation of mugs in 1986, IM 146 show that the major producers of the articles classified under item 533.3000 are Japan, Korea, China, Brazil, and the United Kingdom. Many other developing countries have ceramic industries which would benefit from the bill to suspend temporarily the duty on ceramic mugs not in sets.

IM 146 statistics show the total value of mugs exports to the United States from these countries for 1986 - 1989 are as follows:

Imports under item 533.3000 TSUS (Dollar Value)

	1988	1987	1986
Japan	23,524,777	31,156,172	31,329,144
Korea	31,882,033	28,740,362	15,891,598
China	14,824,375	3,950,062	11,699,954
Brazil	8,303,766	5,647,142	4,643,117
United Kingdom	5,344,402	5,898,290	4,571,821

Total Imports from all Countries TUSUS Item No. 533.3000 Mugs and Steins (Dollar Value)

1988	99,177,127
1987	99,466,835
1986	76,393,784

Trade information leads us to believe that imports from Japan and Korea are declining because of the weakening dollar against the Japanese Yen and Korean Wan.

For the United States, the legislation would have only positive trade policy implications. The bill granting temporary duty suspension does not decrease U.S. employment, nor does it affect the trade deficit and certainly has no significance on U.S. production. Mugs simply cost too much to produce in the United States.

The proposed legislation will help our client maintain a low price and promote the sale of the mugs. By this means, our client will continue to expand the number of jobs in the sales and distribution sectors. The ability to maintain or lower the price of the mugs would be anti-inflationary.

The benefit to the United States includes increased jobs in the sales and distribution sector of the economy. The temporary duty suspension will have a positive effect, since the mugs are often a gift item or souvenir sold in a variety of retail outlets which are purchased by American and foreign visitors to the U.S. as representative of the U.S. thereby creating an export market. The suspension of duty will also reduce the costs of mugs to the consumer.

Many of the consumers of these items are children. The informal market surveys indicate that maintaing a low price for mugs is important to the young consumer. Often, the ceramic mugs are purchased for fathers and mothers, teachers, etc., with special messages on the mugs, such as "you are the best father or mother in the world," or "My favorite teacher."

We believe that there is little, if any, production of these mugs in the United States. The American firms have found the production of such items as unprofitable, expensive, and not worth the effort to justify their time, trouble and resources. In 1988 the United States Trade Representative granted Generalized System of Preference treatment to mugs after hearings established that no U.S. industry would be injured by giving duty free treatment to certain beneficiary developing countries.

In conclusion, we believe that our client will be more effective in its strategic planning and more accurate in projecting the need for additional employees if the price of the mugs will be maintained as a result of the proposed legislation.

Finally, we believe that the American consumer and economy will greatly benefit by favorable recommendation of this bill to suspend temporarily the duty on ceramic mugs not in sets.

We respectfully request an opportunity to appear at any scheduled hearing for HR 1851.

For the foregoing reasons and the continued growth of Russ Berrie's business and its increasing number of American employees we strongly urge a favorable consideration of H.R. 1851 a bill for the temporary suspension of the duty on ceramic mugs not in sets.

Sincerely,

SERKO & SIMON

Joel K. Simon

JKS/mem

H.R. 1855

To amend the Harmonized Tariff Schedule of the United States to suspend the duties on certain bicycle parts, and for other purposes.

May 23, 1989

Robert J. Leonard
Chief Counsel
Committee on Ways and Means
United States House of Rep.
Room 1102
Longwatts House Office Bldg.
Washington, D.C. 20051

Dear Mr. Leonard:

RE: HR 1981

The Schwinn Bicycle Company wishes to generally support HR 1981.

Changes in the metric measurements found in the harmonized schedule to more closely approximate the dimensions which appear in the tariff schedules of the United States is desirable in that it more accurately reflects the original intent of the tariff schedules prior to conversion to metric.

Schwinn wishes to add, however, that the head note and description that effect 8712.0020 should be amended to reflect a more clear and concise explanation of current product utilized in the bicycle industry.

RE: HR 1855

Schwinn also supports HR 1855.

Such support, however, is contingent on subsequent investigation not disclosing that any of the new items added to the duty free categories are made in the United States.

Sincerely,

Daniel J. Garramone, Jr.
General Counsel

DJG/nls

H.R. 1856

To correct certain tariff inequities created by the implementation of the Harmonized Tariff Schedule of the United States.

AFTAC AMERICAN FIBER, TEXTILE, APPAREL COALITION

1801 K STREET, N.W., SUITE 900, WASHINGTON, D.C. 20006 (202)862-0500

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1136 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 10 dated May 3, 1989. The American Fiber, Textile, Apparel Coalition (AFTAC) is a broad based coalition which includes 21 organizations representing industry and labor producing most of the fibers, fabrics, home furnishings, industrial textiles apparel made in the United States.

AFTAC opposes H.R. 1856, legislation to correct certain tariff inequities created by the implementation of the Harmonized Tariff Schedule of the United States.

A duty reduction for vegetable fiber shop towels is unacceptable because the negotiations surrounding the implementation of the Harmonized System took place in Geneva, Switzerland during 1987. All equity issues were discussed and settled at that time. Implementation took place only after the conclusion of these negotiations.

Amalgamated Clothing & Textile Workers Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet & Rug Institute
Clothing Manufacturers Association of America
Cordage Institute
Industrial Fabrics Association International
International Ladies' Garment Workers Union
Knitted Textile Association
Luggage & Leather Goods Manufacturers of America
Man-Made Fiber Producers Association, Inc.
National Association of Uniform Manufacturers
National Cotton Council of America
National Knitwear Manufacturers Association
National Knitwear & Sportswear Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association, Inc.
Work Glove Manufacturers Association

Second, and most importantly, vegetable fiber shop towels compete directly with cotton shop towels as evidenced by a recent Committee for the Implementation of Textile Agreements (CITA) action which called for consultations with the Peoples Republic of China on both cotton and vegetable fiber shop towels. This legislation would result in a 56 percent unilateral duty reduction for vegetable fiber towels and unfairly impact U.S. cotton towel manufacturers.

Thank you for your time and consideration on this matter.

Sincerely,

Robert Blanchard

Robert Blanchard
Chairman

RB\vab

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20510

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 10 dated May 3, 1989. The American Textile Manufacturers Institute (ATMI) represents members which account for over 80 percent of all U.S. textile production.

ATMI opposes H.R. 1856, legislation to correct certain tariff inequities created by the implementation of the Harmonized Tariff Schedule of the United States.

A duty reduction for vegetable fiber shop towels is unacceptable because the negotiations surrounding the implementation of the Harmonized System took place in Geneva, Switzerland during 1987. All equity issues were discussed and settled at that time. Implementation took place only after the conclusion of these negotiations.

Second, and most importantly, vegetable fiber shop towels compete directly with cotton shop towels as evidenced by a recent Committee for the Implementation of Textile Agreements (CITA) action which called for consultations with the Peoples Republic of China on both cotton and vegetable fiber shop towels. This legislation would result in a 56 percent unilateral duty reduction for vegetable fiber towels and unfairly impact U.S. cotton towel manufacturers.

Thank you for your time and consideration on this matter.

Sincerely,

Carlos Moore

Carlos Moore
Executive Vice President

CM\vab

CRAFTED WITH PRIDE IN U.S.A.
Tel: 202/862-0500 Fax: 202/862-0570 Twx: 710-822-9489

RAYMOND J. McGRATH
5TH DISTRICT, NEW YORK

MEMBER
COMMITTEE ON
WAYS AND MEANS
SUBCOMMITTEE ON
SELECT REVENUE
MEASURES
SUBCOMMITTEE ON
OVERSIGHT

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE:
ROOM 205
CANNON HOUSE OFFICE BUILDING
(202) 225-5516

DISTRICT OFFICE:
203 ROCKAWAY AVENUE
VALLEY STREAM, NY 11580
(516) 872-9550

May 26, 1989

The Honorable Sam Gibbons
House Ways and Means
Subcommittee on Trade
1136 Longworth HOB
INSIDE MAIL

Dear Mr. Chairman:

I would like to provide the Trade Subcommittee with some background information on H.R. 1856, a miscellaneous tariff bill I introduced in April. The legislation is designed to correct an inequity substantial increase in the duty on certain towels imposed through compilation of the Harmonized Code. I introduced it at the request of a businessperson in the district I represent, who imports and sells the towels, which are used in automotive shops and various other industries in which machinery must be cleaned.

H.R. 1856 would divide an existing line in the present harmonized code category (6307.10.20) into two new classifications. One new category would include goods formerly classified under three items in the T.S.U.S. My bill would subject goods in this first new category to a duty based on a trade weighted average of the duties which had been applicable to each commodity prior to adoption of the H.C. The effect of their inclusion in the present category has been an increase in the duties on each commodity.

A second new classification which would be created under my bill includes the remaining items in the existing category at the same duty.

I think that H.R. 1856 corrects an unintended result of the conversion to the Harmonized Code, and I hope that the Trade Subcommittee will act favorably on the bill.

Thank you very much for your assistance. I ask that this letter be included in the public record.

Sincerely,

Ray

Raymond J. McGrath
Member of Congress

RMc:ad

TESTIMONY OF MEHLER TEXTILES INTERNATIONAL, LTD.
ON H.R. 1856
BEFORE THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS & MEANS

May 31, 1989

I am Murray Mehler, Vice President of Mehler Textiles International, Ltd. of Valley Stream, New York. I am an importer of wipers, marketed under the registered name of DUZ-MOR. These wipers are in chief weight ramie and contain distinct physical properties unlike the all-cotton shop towels produced in the United States and imported from around the world. Laboratory tests done comparing DUZ-MOR wipers with the 100% cotton towels show our product to be considerably more resistant to mildew and bacteria, more heat resistant, shrink less, stronger when wet, more absorbent, faster drying and less abrasive.

This product was developed in China under our guidance and supervision. It was two years in development and is now produced exclusively for us. DUZ-MOR which sells in the U.S. at a price comparable to the all-cotton towels, has been very successful. They are used primarily in two sizes, 18" x 18" and 18" x 30". The smaller size cloth is chiefly used for wiping oil, dirt and grease and the larger size is primarily used for wiping ink in the printing industry. (It is also used for polishing marble and brass in the building maintenance industries.)

Our imports of these wipers in calendar year 1988, our first year in the U.S. market, were 3.4 million pieces valued at over $300,000. This product entered the U.S. under TSUSA 366.3110 at a duty of 8% ad valorem.

By mid-1988, we were aware that the proposed Harmonized Tariff Schedule would likely be implemented in 1989. However, we were not overly concerned about any duty change. Under the International Trade Commission cross-reference (USITC 2051) correlating the TSUSA and the proposed Harmonized Tariff Schedule of the United States, goods entering in TSUSA 366.3110 would be reported in HTSUS 6302.92.00 (Bed linen, table linen, toilet linen and kitchen linen other than terry toweling, of flax), and subject to a 2.5% ad valorem duty rate. This, of course, would have been considerably better than the 8% duty we were paying at the time.

However, since our wipers were not "of flax", Customs decided to combine them with the trade in cotton towels.

Therefore, during the conversion to the Harmonized System, the United States merged trade from cotton TSUS items 366.26 and 336.28 (towels, not of pile or tufted construction), 366.19 (towels, pile or tufted, not over 45 cents each, other than dish towels) previously dutiable at 10.5% ad valorem (Column I) with trade in non-cotton vegetable fiber TSUS items 366.31 (8% ad val.), 366.36 (3.1% ad val.), and 366.39 (4.4% ad val.) into a single harmonized duty line (6307.10.20). The new duty rate, effective January 1, 1989, is 10.5% ad val. (Column I).

H.R. 1856 was introduced by Congressman Raymond McGrath on our behalf to alleviate the inequity caused by merging this trade into a single harmonized duty line. It would replace the harmonized duty line (6307.10.20) with the following two new duty lines:

		Column I duty
6307.10.15	Other, of Cotton	10.5%
6307.10.25	Other, Vegetable Fiber except Cotton	4.6%

The new duty rate of 4.6% ad valorem, in which our wipers would enter, is based on a trade weighted average of the three duty rates applicable to the products to be covered in 6307.10.25. Trade in the three non-cotton vegetable fiber TSUS items in calendar year 1988 totaled:

	Customs Value	Estimated Duty *	Duty Rate
366.31	$ 266,534	$ 21,330.72	8.0%
366.36	584,841	18,130.07	3.1%
366.39	112,971	4,970.72	4.4%
	$ 964,346	$ 44,431.51	4.6%

* The duty column is based on Column I rates of duty and may not correspond to the actual duty collected on these goods during 1988.

As you will note, the majority of the trade in these items had the duty rate raised by 7.4% ad val. (3.1% to 10.5%) and the total duty rate increase has more than tripled the applicable rates of duty.

We estimate that the budgetary effect of making this adjustment is minimal, less than $100,000 a year. It is, however, very important to us in this highly price sensitive industry.

H.R. 1857

To suspend temporarily the duty on Ciprofloxacin Hydrochloride.

Statement of Miles, Inc.

to the Subcommittee on Trade

in Favor of Enactment of H.R. 1857

My name is Matthew McGrath. I am a member of the firm of Barnes, Richardson & Colburn, 1819 H Street, N.W., Washington, D.C. I represent Miles, Inc., on whose behalf I am submitting the following statement in support of enactment of H.R. 1857, a bill to provide a temporary duty suspension for the pharmaceutical Ciprofloxacin Hydrochloride (hereinafter "Ciprofloxacin Hcl").

I. Background

A. Miles, Inc.

Miles, Inc. ("Miles") is a leading provider of high-quality health-care products in the United States. In 1988, its net sales world-wide were $1.7 billion. Miles' Pharmaceutical Division is based in West Haven, Connecticut and is one of the largest employers and generators of tax revenues both locally and regionally.

Important new product introductions account for a vital portion of Miles' sales and earnings growth. One such product, introduced by Miles' Pharmaceutical Division at the end of 1987, is Ciprofloxacin Hcl, which Miles markets under the brand name "Cipro^R."

B. The Product

Ciprofloxacin Hcl is a proprietary, patent-protected pharmaceutical for which there is no exact equal manufactured in the United States. It was introduced in the United States by Miles' Pharmaceutical Division in late 1987. Ciprofloxacin Hcl is imported by Miles in bulk powder form. The powder is then manufactured into tablets and packaged at Miles' tablet manufacturing facility at its Pharmaceutical Division in West Haven, Connecticut. Customs has classified the substance under HTSUS heading 2933.59.2700 at 8.1% *ad valorem*.

Ciprofloxacin Hcl is a totally synthetic antimicrobial. Antimicrobials, which include antibiotics, are employed in the battle against, among other things, infectious bacteria. Ciprofloxacin Hcl has proven itself effective and safe for the treatment of infections frequently encountered by physicians in office and hospital settings, including lower respiratory tract, urinary tract, skin, bone and joint infections and infectious diarrhea.

Ciprofloxacin Hcl is the most potent member of a new class of synthetic antimicrobials called "quinolones." Its potency is such that its bacteria "kill rate" is greater on a weight basis than other members of the quinolone class and greater than many other antimicrobials as well. This potency and good systemic absorption result in Ciprofloxacin Hcl tablets[1] being as effective as many intravenous ("I.V.") antimicrobials. Patients with serious infections previously would have required I.V. antimicrobials to get similar bacterial killing power. Ciprofloxacin Hcl can now treat many of these patients, thereby avoiding I.V. therapy.

Because of the dramatic effectiveness, the convenience, and relative low costs of this drug it gained acceptance in hospitals at a rate faster than any predecessor antimicrobial after introduction to the market. Ciprofloxacin Hcl is now the leading oral antimicrobial used in hospitals.

---

[1] Ciprofloxacin, for manufacture into an intravenous form of Cipro^R is the subject of another bill recently introduced, H.R. 2367.

C. Benefits of Duty Suspension

The ability to use Ciprofloxacin Hcl tablets where I.V. drugs would otherwise have been required has tremendous ramifications in terms of medical cost containment and patient comfort and convenience. I.V. administered antimicrobials, in terms of product cost alone, are often five to ten times more expensive than a corresponding tablet form. To this, of course, must be added the costs associated with I.V. treatment such as hospitalization, I.V. apparatus, and monitoring. The use of Ciprofloxacin Hcl tablets, on the other hand, avoids the associated I.V. costs and may be taken conveniently on an out patient, home basis, often avoiding costly hospitalization.

Moreover, due to a natural biological resistance to individual antimicrobials built up over time in the patient population, there is constantly a need to deploy new antimicrobial products to which such resistance has not yet developed. Ciprofloxacon Hcl has encountered very little of such resistance and has a mechanism which reduces the likelihood of resistance developing.

Miles products, including Cipro^R, are competitively priced. Based on present production, selling, development, and other indirect costs, such as duty payment, Miles cannot lower any product prices. Among the anticipated benefits of duty suspension, however, would be the ability to offset inevitable cost increases.

Miles' management is constantly striving to increase the scope of its Pharmaceutical Division's activity in the production of existing products and addition of new products such as Cipro^R. The Pharmaceutical Division has recently applied substantial resources to research and development. Miles anticipates that the benefits from the duty suspension provided for in H.R. 1857 would contribute to the company's continued economic viability and growth. In particular, the contemplated duty suspension would permit Miles to expand further its already considerable research and development efforts in the pharmaceutical field, and to expand export sales.

Congress of the United States
House of Representatives

Bruce A. Morrison
Member of Congress
Third District, Connecticut

437 Cannon House Office Building
Washington, DC 20515
Telephone: (202) 225-3661

94

RECEIVED
MAY 23 1989
MITTEE ON TRADE

May 23, 1989

The Honorable Sam Gibbons
Subcommittee on Trade
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Sam:

I want to let you know that I introduced the enclosed bill last week and expect that it will be referred to your subcommittee. It will suspend for three years the duties on Ciprofloxacin and Nimodipine, two pharmaceutical products that are of particular interest to Miles, Inc. The Miles Pharmaceutical Division is based in West Haven, Connecticut and is among the largest employers in my district.

Ciprofloxacin is the same anti-microbal agent as Ciprofloxacin Hydrochloride, the subject of H.R. 1857, which I introduced in April. As with Ciprofloxacin Hydrochloride, no exact equal to Ciprofloxacin is manufactured in this country. This product is used in the manufacture of "Cipro I.V.," an intravenous antimicrobal agent.

Similarly, Nimodipene is a proprietary, patent-protected pharmaceutical without an exact equal produced in the United States. It is a calcium channel blocker used to treat a subarachnoid hemorrhage, a life-threatening form of stroke that affects approximately 25,000 people each year.

I understand that the deadline has passed by which you could ensure that suspension-of-duty legislation would be considered for inclusion in a reconciliation package this year. However, I would greatly appreciate any consideration, including submission for review, that you can offer this bill. Please feel free to contact me with any concerns you may have.

Sincerely,

Bruce
BRUCE A. MORRISON
Member of Congress

Committees: Judiciary
Banking, Finance and Urban Affairs
District of Columbia
Select Committee on Children, Youth and Families

District Address: 85 Church Street
New Haven, Connecticut 06510
Telephone: (203) 773-2325

Bruce A. Morrison

101st Congress

First Session **H.R. ______________**

To suspend temporarily the duty on Ciprofloxacin and Nimodipine.

IN THE HOUSE OF REPRESENTATIVES

May __

Mr. Morrison introduced the following bill; which was referred to the Committee on Ways and Means.

A BILL

To suspend temporarily the duty on Ciprofloxacin and Nimodipine.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

Section 1

That subcharter II of chapter 99 of the Harmonized Tariff Schedules of the United States is amended by inserting in numerical sequence the following new subheading:

" 9902.95.06	Ciprofloxacin provided for in subheading 2933.59.27....	Free	No Change	No Change	On or before 12/31/92
9902.95.07	Nimodipine provided for in subheading 2933.90.30....	Free	No Change	No Change	On or before 12/31/92

Section 2

The amendment made by the first section of this Act applies with respect to articles entered or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of this Act.

H.R. 1858

To suspend temporarily the duty on MDBS and HPBA.

No statements submitted.

H.R. 1859

To suspend temporarily the duty on thiothiamine hydrochloride.

CHARLIE ROSE
7TH DISTRICT, NORTH CAROLINA

2230 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
PHONE: AREA CODE 202, 225-2731

DISTRICT OFFICES:
208 POST OFFICE BUILDING
WILMINGTON, NC 28401
PHONE: AREA CODE 919, 343-4959

218 FEDERAL BUILDING
FAYETTEVILLE, NC 28301
PHONE: AREA CODE 919, 323-0260

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON AGRICULTURE
SUBCOMMITTEES:
CHAIRMAN, TOBACCO AND PEANUTS
DEPARTMENT OPERATIONS, RESEARCH, AND FOREIGN AGRICULTURE
LIVESTOCK, DAIRY AND POULTRY

COMMITTEE ON HOUSE ADMINISTRATION
SUBCOMMITTEES:
CHAIRMAN, OFFICE SYSTEMS
ELECTIONS

May 26, 1989

The Honorable Sam M. Gibbons
House Subcommittee on Trade
1136 Longworth HOB
Washington, DC 20515

Dear Mr. Chairman:

Thank you for the news release requesting written testimony for the record from all interested parties on the miscellaneous tariff and trade bill HR 1859, a bill to suspend temporarily the duty on thiothiamine hydrochloride. I appreciate the update on your Subcommittee's action on this and other bills.

Please find the enclosed testimony supporting HR 1859 that was submitted to me by Takeda Chemical Products USA. Being the sponsor of HR 1859, this legislation, naturally, has my full support.

I appreciate your interest and assistance in this matter. Please let me know if the Subcommittee is in need of any more information. If you are ever in need of assistance, please don't hesitate to call me.

With best wishes,

Sincerely,

Charlie Rose

Charlie Rose

CR:kjp

TAKEDA CHEMICAL PRODUCTS USA, INC.

TAKEDA DRIVE
POST OFFICE BOX 2577
WILMINGTON, NORTH CAROLINA 28402

Takeda
Trademark reg'd. by
Takeda Chemical Ind., Ltd
Osaka, Japan established 1781

Telephone
(919) 762-8666

Facsimile
(919) 762-6846

September 22, 1987

The Honorable Charles G. Rose, III.
Room 2230
Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Rose:

I am sorry that we missed seeing you when we called at your office in late July. We were received by Mr. Pitts and I must say, we were most favorably impressed by the attention he devoted to us. He was very helpful in answering our questions and guiding us toward a course of action to accomplish our objective.

Our objective was, and remains, to obtain a temporary suspension of duty on the intermediate, thiothiamine hydrochloride, which we use to produce vitamin B1 (thiamine) in our plant at Wilmington. To that end, a request for suspension of duty is enclosed. We had planned to submit this request much earlier, but were delayed by a pending bill which we thought would have simplified and expedited this process.

We respectfully request that you initiate appropriate action to obtain a temporary suspension of duty on thiothiamine hydrochloride for our company. We understand that it facilitates this process if action is simultaneously initiated in the Senate and the House. Consequently, we have submitted a similar request to Senator Helms.

If you have questions or need additional information, please contact me.

Thank you for your assistance.

Sincerely,

Ralph L. Godwin

Ralph L. Godwin
Vice President
General Affairs

RLG/vj

Enclosures

REQUEST FOR TEMPORARY SUSPENSION OF DUTY

SUBMITTED BY

TAKEDA CHEMICAL PRODUCTS USA, INC.

WILMINGTON, NORTH CAROLINA

We request a temporary suspension of duty on thiothiamine hydrochloride, an intermediate which we process into our finished product, bulk vitamin B_1, (thiamine).

We are a North Carolina corporation with long-range plans to develop our 1,500-acre site into a general manufacturing complex. Our first plant produces vitamin B_1 from thiothiamine hydrochloride. It was completed in the fall of 1985 and we began to produce vitamin B_1 in October, 1985. This plant represented an investment of approximately $14 million. In July, 1987, we began construction of a second plant which will produce Ascorbic Acid (vitamin C). This plant was completed in February, 1989 and represents an investment of $90 million plus. Our long-range plans are to build additional plants; construction of the third is likely to begin within 3 - 5 years. There are both domestic and foreign companies manufacturing vitamin B_1. therefore, we must put forth every effort to improve our competitive position. Consequently, approval of this request would be to the advantage of both the consumers and to the U.S. companies producing thiamine (vitamin B_1).

The following information is provided in support of this request:

A. Description: Thiothiamine hydrochloride is described in monograph 1910 on page 1342 of *The Merck Index*, Tenth Edition. For a detailed description, see CAS Registry Services, CAS #2443-50-7.

B. Purpose of Request: Approval of this request will have two favorable impacts.

(1) By reducing our production costs, our product (vitamin B_1) can be more competitively priced. These savings will result in lower cost for the consumer.

(2) Our North Carolina corporation will be in a more competitive position with foreign competitors. This will accelerate our growth rate, create additional jobs, and increase our contribution to the regional and state economies.

REQUEST FOR TEMPORARY SUSPENSION OF DUTY

SUBMITTED BY

TAKEDA CHEMICAL PRODUCTS USA, INC.

WILMINGTON, NORTH CAROLINA

(continued)

C. The thiothiamine hydrochloride which we use is imported from Japan. The following chart reflects the amounts we imported from January 1, 1986 through December 31, 1988 and the duty which we paid:

Period	Quantity	Duty Paid
Jan. 1, 1986 - Dec. 31, 1986	143,204 kgs.	$54,338
Jan. 1, 1987 - Dec. 31, 1987	168,440 kgs.	65,282
Jan. 1, 1988 - Dec. 31, 1988	189,420 kgs.	81,443

The following chart reflects the amounts which we expect to import from May 1, 1989 to December 31, 1991, and the duty which would be paid using the following projected prices per kilogram and duty rate of 3.7%:

Period	$/Kg.	Qty.	Est'd. Duty
Jan. 1, 1989 - Dec. 31, 1989	$13.72	189,400 kgs.	$90,800
Jan. 1, 1990 - Dec. 31, 1990	15.09	208,300 kgs.	113,900
Jan. 1, 1991 - Dec. 31, 1991	16.60	229,300 kgs.	137,800

D. General information on patents is included in the general description from The Merck Index.

E. To the best of our knowledge, thiothiamine hydrochloride is not produced in the United States.

F. To the best of our knowledge, the only other company in the United States which imports thiothiamine hydrochloride is Hoffman LaRoche. We believe their supplier is based in Europe.

G. We know of no other intermediates or materials which could be substituted for thiothiamine hydrochloride in our process.

H.R. 1868

To suspend temporarily the duty on a certain speciality thermoset resin.

COMMENTS IN SUPPORT OF H.R.1868
Subcommittee On Trade
House Ways and Means Committee

The Dow Chemical Company supports enactment of H.R.1868, a bill to temporarily suspend the duty on a specialty thermoset resin imported by Dow under H.T.S. number 2929.90.20001. The resin, called XU-71787 is a hydrocarbon novolac cyanate ester, and is used in the high performance segments of the electronic printed wire circuit (PWB) and in advanced composite industries. It is currently under evaluation for some military applications such as the advanced tactical fighter (ATF) and advanced tactical aircraft (ATA) program. In the PWB industry, the resin is being used in high speed computer applications targeted for both commercial and military applications.

XU-71787 is a highly specialized product which will be competing in only about 1 to 2 percent of the total plastic resins market. There are, to our knowledge, no other products currently on the market which have adequate heat resistance or low enough dielectric constants for the extremely high speed computer applications. Additionally, our product is the only one available with adequate moisture resistance for the advanced composite applications required in space structures and military radomes for which the product will be sold.

XU-71787 is an experimental product designation. Once the product moves out of the experimental phase into the commercial phase it will be imported under the trade names Tactix or Quatrex. The manufacturing of this resin is a multiple chemical step process. Part of it is done by Dow in the United Sates (Texas). The second chemical operation, however, is being done in Switzerland by an unrelated third party (LONZA AG), since there is no U.S. chemical custom contract manufacturer who has the required raw materials (cyanogen chloride and triethylamine) and the chemical processing equipment to perform the second chemical operation.

Dow manufactures the hydrocarbon novolac and then sends the material to Switzerland for further processing. When we import the final product, we resell part of it into the composite application market. The remaining amount of product is converted by Dow into solvent form and sold in the PWB market.

At this time, the product is in its early stages of market development and product volumes are small. This makes it impractical and unprofitable for Dow or another company to invest the capital to perform the second chemical operation. When a sufficient product volume is reached, Dow is considering the possibility of making the necessary capital investment in the U.S. to perform the second chemical operation.

Dow estimates that the duty savings from H.R.1868 will be approximately $220,000 over the three year period.

Since there is no substitute product manufactured in the U.S., and since no other U.S. producer is to our knowledge manufacturing this product in the U.S., we believe a suspension of the current 13.5% duty is warranted for this new product.

We appreciate the opportunity to comment on the merits of this bill and urge its prompt adoption.

Submitted by
Mr. Ken Roerden
Senior Research Manager
Dow Chemical U.S.A.
Highway 288
Freeport, TX 77541
(409) 238-7313

Washington, D.C. contact:

Donna Akers Harman
(202) 429-3429

H.R. 1869

Relating to the tariff treatment of certain entries of digital processing units.

intel

May 25, 1989

COMMENTS IN SUPPORT OF PASSAGE OF H.R. 1869

Intel Corporation is a leading U.S. based manufacturer of semiconductors, computers and related subassemblies. In addition to substantial manufacturing facilities in the United States, Intel sources many components from abroad in order to remain cost competitive within the computer industry. The digital processing units ("DPUs") that are the subject of H.R. 1869 are among those parts that Intel imports.

H.R. 1869 addresses the many inequities caused by the July 2, 1987 ruling by U.S. Customs Service regarding classification of DPUs. The ruling's implementation resulted in similarly situated importers being treated differently. For example, Intel was the only importer of DPUs that was made liable for duties during the entire pendency of the ruling, January 17, 1986 through July 2, 1987. Liquidating the shipments of DPUs entered during that period without duties corrects this inequity by placing Intal on an equal footing with the rest of the computer industry.

Description of the Product

The term DPU "means a digital processing unit for an automated data processing machine, unhoused, consisting of a printed circuit (single or multiple) with one or more electronic integrated circuits or other semiconductor devices mounted directly thereon." It contains the microprocessor that performs the computing functions of a computer. Typically, the DPU is the board to which other subassemblies such as memory, input/output and graphics boards are connected.

Background

On January 17, 1986, computer parts became duty free as a result of an international agreement between the United States, Japan and Canada. On that date the Customs import specialist in San Francisco required Intel to stop entering DPUs under the computer parts duty-free provision, TSUS item 676.54, and begin entering them under a dutiable classification, TSUS item 676.15. Previously, items 676.15 and 676.54 carried the same rate of duty. The import specialist's action was based on an internal document received from the national import specialist in New York. The "difference" between the two import specialists was eventually resolved by a Headquarters ruling on July 2, 1987. Intel cooperated with this procedure with the expectation that it would be treated the same as other importers.

The issue of the classification difference was not widely known among other Customs ports, and there was no systematic effort on the part of Customs to collect duties or suspend liquidation on similar and competing merchandise imported by other firms during the pendency of the ruling. Further, the ruling was not implemented immediately when it was issued on July 2, 1987. Customs did not begin suspending liquidation on this merchandise uniformly until mid-August 1987. As a result, to our knowledge, Intel is alone among the companies within the computer industry that has paid duties and had its entries suspended during the entire pendency of the ruling. Therefore, we believe that no other company is potentially subject to the ruling for the nineteen-month period from mid-January 1986 through mid-August 1987.

Why H.R. 1869 Is Needed

This bill is needed to correct the inequities caused by the Customs ruling. When Intel was notified in January 1986 that it would have to begin entering its shipments of DPUs under a dutiable provision, the company believed that it would not be economically disadvantaged vis-a-vis its competitors by the change in classification initiated by the Customs Service. As shown above, this belief was mistaken.

While it is difficult to quantify lost sales or lost profits, such lost sales or profits can be assumed to have occurred in an industry that was characterized at the time by low selling margins. During the period of the ruling Intel was unfairly required to absorb duty costs when other companies were not.

The ruling on DPUs is not the normal Customs ruling which involves a unique product of a particular importer. While an Intel product was the initial subject of the ruling, the scope of the ruling is generic. It was written in a general way to include within its scope all importers' merchandise. Thus, when the ruling is implemented, it should not penalize one importer more than other importers of the same product merely because its product was the initial subject of the ruling.

The circumstances surrounding the ruling demonstrate that Intel was unfairly treated and highly prejudiced by the way in which its imports were solely made subject to Customs duties for a nineteen-month period.

Intel supports the additional six-month period beyond the date of the ruling to allow those importers, caught unaware of the reclassification, a grace period during which sourcing and manufacturing plans could reasonably be expected to have changed to accommodate the effects of the ruling.

Revenue Impact

This bill will result in a savings of approximately 1.8 million dollars for Intel. For the U.S. industry as a whole, the savings is estimated to be 40 million dollars. Since these duties were the result of the Customs ruling, they were not in the revenue estimates and their refund would not affect the budget for fiscal 1988.

Conclusion

Intel urges that the Ways and Means Committee report H.R. 1869 to the floor of the House for adoption as a means of correcting the inequities caused by the DPU ruling. The bill will restore equality among all importers of this product. For reasons of equality and fairness this bill should be enacted.

Submitted on behalf of
Intel Corporation
by David Rose
Intel Government Affairs

STATEMENT OF INTERNATIONAL BUSINESS MACHINES CORPORATION ON H.R. 1869

May 31, 1989

The International Business Machines Corporation of Armonk, New York, is pleased to be given this opportunity to comment on H.R. 1869. IBM is a worldwide provider of computers and information systems equipment, and related software and services. With operations in more than 130 countries, we offer our customers a complete line of computers from very large computer systems used for a variety of business, scientific, engineering and other applications, to personal computers suitable for use either in the office or at home.

HR 1869 would affect the smaller Personal Computer (commonly called "PC") part of our product line. The PC marketplace is one of the world's most competitive high technology businesses:

Highly Competitive U.S. Industry. According to industry estimates, the domestic PC industry accounted for up to approximately $28 - 35 billion in hardware, software, and services revenue in 1987. Through 1986, almost 25 million personal computers are estimated to have been installed in the United States, and at the end of 1987, this number was nearing the 30 million mark.

Highly Competitive Global Industry. Industry observers estimate that approximately $ 70 - 80 billion in global revenues were realized by PC suppliers in 1987. In the United States, we face steadily growing challenges from the imports of low-priced, but technologically competitive foreign-made products. A small, but important portion of these foreign-made imports are the so-called "clones," PCs which have been designed and manufactured based on the technology originally developed by American PC manufacturers.

High Volume, Low Price Marketplace. With strong and steadily growing customer demands for PCs, the U.S. industry and that of our competition abroad are characterized by production in high volume in order both to satisfy this demand and to achieve certain economies of scale in production lines.

Strict Product Cost Containment. To reduce production costs and to price competitively, IBM and other companies must address rigorously all aspects of manufacturing and distribution. One cost control technique is to identify, qualify, and procure high quality, reasonably priced parts and components from vendors, whether in the United States or abroad.

High Technology. Personal computers, originally offered for sale in the United States in the mid-1970's, have undergone the same kind of technology innovation as has been enjoyed by the computer industry throughout its history. IBM offered its first PC1 product line in 1981, a family of computers that won worldwide customer acceptance from the day it was announced. Last year, IBM announced a new family of PCs, the Personal System 2 (PS/2) line. The PS/2 family offers not only dramatically improved price/performance to our customers, but also a much wider variety of customer application and ease-of use characteristics, and significantly enhanced computer graphics.

BACKGROUND OF THIS ISSUE

H.R. 1869 addresses several unintended and unforeseen consequences arising from a July 2, 1987, U.S. Customs Service ruling regarding the proper classification of a critical component of personal computers called "motherboards," and the intersection of that ruling with the prior imposition of sanctions against Japan for violating the U.S.-Japan semiconductor agreement.

The U.S. computer industry and the Administration have reached agreement on a working definition of motherboards -- that they are the "populated circuit boards which are the main board of a computer." Populated circuit boards are exactly that. They are boards of varying dimensions which are "populated" with integrated circuits. Such boards serve a variety of purposes in computers -- some for graphics, some to route information, and motherboards, which manage many of the major machine functions and process most of the data in computers.

For years since PC's were first introduced, American firms who bought motherboards from suppliers abroad, or imported them from their plants overseas, imported motherboards under former Tariff Schedule (TSUS) item 676.52, or "parts of accounting, computing, and other data processing machines." Tariff rates on this classification had been lowered in several increments pursuant to agreements the United States negotiated with our trading partners after the Tokyo Round. In 1986, the rates had been cut to 3.9%.

During late 1985 and 1986, two things were happening in parallel. First, the governments of the U.S., Japan, and Canada concluded negotiations commonly referred to as the "Computer Parts Agreement," in which the three governments agreed to eliminate tariffs for TSUS item 676.52. To implement this agreement, the U.S. created a new TSUS item, 676.54. There was no difference between 676.52 and 676.54, except the tariff was reduced from 3.9% to zero. IBM, which had been receiving uniform treatment of motherboard imports under 676.52, began to import them duty free under 676.54. The Customs Service, through its liquidation of our imports under these "computer parts" provisions, had not objected to this classification practice.

In late 1985 and early 1986, Intel Corporation was importing a product which met the definition of motherboards. Because of differing opinions at two ports regarding the proper classification of these boards (one port said they were classifiable as "parts," and the other said they were classifiable as "accounting, computing, and other data processing machines" under TSUS item 676.15 and therefore dutiable). Intel was given an opportunity to respond. They did so in the spring of 1986.

To resolve the question, Customs sent a ruling letter to Intel on July 2, 1987. During the interim period, neither IBM nor the rest of the industry was aware that this classification issue was being reviewed by Customs. When Customs issued the ruling, they held that all importers' motherboards should be classified under the higher tariff rate TSUS item 676.15. Further, Customs held that this ruling would be made retroactive to January 17, 1986.

Again, other developments had happened in parallel that produced a very costly, albeit unintended, inequity. In March 1987, Japan was found by the U.S. Trade Representative's Office to have violated the U.S.-Japan semiconductor agreement through the dumping of semiconductor chips in the U.S. and third country markets and by denying access in the Japanese market to U.S. merchant semiconductor companies. In light of that, USTR announced that they intended to apply $300 million in sanctions against Japan.

In the March 31, 1987 Federal Register, three months prior to the Intel ruling, USTR published a list of candidate TSUS product categories for possible sanctions. In the Federal Register notice, USTR sought public comments, among other items, on "the degree to which increased duties might have an adverse effect on U.S. consumers of the products concerned." Neither IBM nor the rest of the U.S. computer industry expressed concern about the inclusion of item 676.15 in the sanctions, since the U.S. industry had not been importing substantial volumes of data processing machines from Japan.

When sanctions of 100% duties were imposed on April 17, 1987, neither IBM nor the industry objected. A "Statement by the President" on April 17 stated that, "The products upon which the tariffs are being raised were chosen to minimize the impact on American consumers and businesses." IBM had no reason to believe at that time that the imposition of the sanctions would not conform to this statement of Presidential intent.

U.S. INDUSTRY RESPONSE TO THE INTEL RULING

When the Intel ruling became public after July 2, 1987, the U.S. computer industry was shocked by the serious cost impact the ruling would have on its sources of motherboard supply. All motherboards had suddenly become dutiable and those from Japan had duties increased from 0 % to 100 %. Meeting with representatives of USTR, the Commerce Department, the Treasury Department, and the Customs Service, industry representatives questioned the appropriateness of the ruling and whether the ruling constituted a change in classification as described in the "established and uniform practice" provision of the 1930 Tariff Act.

The industry coalition petitioned the Treasury Department to find that the ruling constituted a change in "established and uniform practice" and that this change resulted in a higher rate of duty than the previous practice of classifying motherboards as "parts" of computers under TSUS items 676.52 and 676.54. If Treasury agreed with this view, then the Customs Service would have been required to publish notice of its intent to reclassify these products. First, this would have meant the increased duties could only be applied prospectively once a final decision to reclassify was published. And second, it would give the industry an opportunity to comment. The industry was simply requesting a chance to be heard.

Treasury did agree in August, 1987, to suspend liquidations of future motherboard imports until it made a decision on the "established and uniform practice issue." That suspension remains in effect today.

In preparing its case for Treasury on the established and uniform practice issue, the industry documented that almost 500 shipments of 1,700,000 motherboards during a period of 4 years had been classified and liquidated by Customs as data processing "parts." Treasury felt constrained, in the final outcome on the practice issue, by the fact that Customs had found a handful of imports covering 839 boards which had been liquidated under TSUS item 676.15. Treasury concluded that this miniscule inconsistency of treatment, representing less than one-two hundredth of one percent of all motherboards imported, was still sufficient to demonstrate doubt within Customs on the proper classification of motherboards and therefore, that no established and uniform practice had existed.

The data IBM submitted as part of this industry exercise highlights the unintended inequities caused by this intersection of Administration decisions. In its various submissions to Treasury and Customs, IBM showed the following:

> Before August 1987, when the suspension of motherboard liquidations was ordered, IBM had imported over 97,000 boards into the United States over a 4 year period. Each of the 142 individual entries of these boards were liquidated by Customs under the parts provisions, items 676.52 and 676.54 of the Tariff Schedules. To us, this documented not only an "established" practice, but also a "uniform" one.
>
> IBM showed we had reasonably relied on this practice in our business planning assumptions. During the period that we had experienced this uniformity of customs treatment, we were also concluding our plans for introducing the new PS/2 family of personal computers. As mentioned previously in this statement, in light of the tremendous price competitiveness in the personal computer marketplace, our PS/2 production costs were under heavy managerial scrutiny. One way to examine and challenge costs is by setting "benchmarks," standards on which to evaluate the cost and quality of our new products and production techniques. Therefore, in the summer of 1986, we concluded a contract with Matsushita for a limited number of PS/2 motherboards. This supply would help us measure the quality and production costs of our own IBM-manufactured motherboards in the U.S. and Canada. Later, due to the very large demand for PS/2's we supplemented our North American production with greater volumes of Matsushita boards, assuming they would be treated as duty free parts under 676.54.
>
> We also showed that the burden of the semiconductor sanctions fell unfairly on IBM. IBM's exposure from the combined effects of the retroactive Intel ruling and the sanctions in 1987 is $26 million, $24 million of which are due to the sanctions. Statistics at the Commerce Department's Foreign Trade Reference Room show that, in 1987, motherboard imports from Japan (not including IBM's) amounted to only $7.6 million, the amount of sanctions duties that would be owed. Thus, without H.R. 1869, IBM would be forced to pay three times more in sanctions duties on motherboards than all other importers combined. We cannot believe that this was the intended effect of the sanctions, especially in light of the President's declaration that the products chosen to be sanctioned were not to harm American consumers and businesses.

CONCLUSION

IBM strongly endorses H.R. 1869 and urges the Congress of the United States to press for its prompt enactment. The U.S. computer industry is one of America's most competitive internationally and a substantial contributor to the U.S. balances of trade and payments, and IBM is proud of the role we play both in our industry and in the U.S. economy.

A fundamental requirement for maintaining our international competitiveness is sound business planning, especially as it relates to fundamental assumptions about production costs. Such planning assumptions rely on consistency and equity in the application of U.S. laws, in this case, the application of customs law through uniform and consistent classification practices.

IBM urges adoption of H.R. 1869 as a means of addressing the unintended inequities that arose from the unforeseen intersection of different Administration actions that were made in the absence of full public understanding of what was happening at the time. In addition to addressing the consequences of the retroactive application of the Intel ruling and the sanctions, H.R. 1869 provides a six month adjustment time frame which should have been sufficient for IBM and other firms to have adjusted their manufacturing and sourcing plans.

We ask that the Ways and Means Committee report H.R. 1869 to the floor of the House of Representatives for adoption.

H.R. 1871

Relating to the procedures applied in determining drawback with respect to fungible products commingled in storage.

COMMENTS OF THE AMERICAN PETROLEUM INSTITUTE
ON H.R. 1871
SUBMITTED FOR THE PRINTED RECORD
TO THE U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS
MAY 31, 1989

The American Petroleum Institute (API) welcomes this opportunity to comment on H.R. 1871, a bill relating to the accounting procedures used in determining drawback claims when products are commingled in storage. API is a trade association which represents over 200 companies involved in all aspects of the petroleum industry. Because many of these companies import crude oil and export finished products made from crude oil, they participate in the U.S. Customs Service's duty drawback program. Therefore, API supports H.R. 1871 which would nullify the effects of Customs Service Decision (C.S.D.) 88-1 relating to drawback accounting procedures.

The Customs duty drawback program enables exporters to receive a refund for a portion of the Customs' duties paid on imported materials if a product manufactured from these raw materials is exported. This encourages exports and enables domestic manufacturers to be more competitive in foreign markets. In June 1988, Customs issued a ruling, C.S.D. 88-1, which greatly restricts the ability of exporters to file for drawback refunds.

Petroleum products are manufactured in a continuous process where both imported and domestic raw materials may be consumed together in a single steady stream, continuously producing various products. The nature of petroleum storage tanks and transportation facilities results in commingling of product from different suppliers. The drawback law as enacted in Section 313 of the Tariff Act of 1930, as amended, does not stipulate any particular method of identifying the imported portions of commingled materials. This issue is a matter of administrative discretion by Customs.

In issuing C.S.D. 88-1, Customs used its administrative discretion to retroactively "reinterpret" the procedures upon which industry had been basing its decisions in exporting products and filing drawback claims for commingled material. In fact prior to C.S.D. 88-1, accounting procedures had been accepted, audited and paid by Customs. The procedures outlined in C.S.D. 88-1 will reduce or eliminate the industry's ability to file drawback claims for products such as jet fuel commingled at common airport storage facilities.

Frequently at storage locations, including airport facilities, more than one company will have commercially interchangeable products located in common storage. Most of these products will qualify for drawback because they were made from imported crude oil and will be exported on international flights and flights to and from Hawaii and Alaska.

At most airports, jet fuel is handled through common storage facilities, pipeline systems and fueling facilities. In most cases, a fueling service company handles the fueling of the aircraft for all the companies which have jet fuel at a specific airport location. The service companies maintain inventory accounting records, for each supplier or airline owning jet fuel, on a monthly and total airport facility basis. It is not feasible for refiners to maintain separate inventory accounting records for drawback-eligible product on a tank by tank basis without substantial changes in operations of U.S. airport facilities and significant added costs. The added costs would outweigh the drawback refunds in most cases.

The requirements of C.S.D. 88-1 -- to account for inventory on a daily and tank by tank basis -- impose an excessive administrative burden, if not an impossible procedure. Exporters will not be able to file drawback claims for direct exports from commingled storage, including jet fuel and bunker fuel sold for use in aircraft and ships engaged in foreign commerce. Such a requirement could effectively eliminate the drawback option for jet fuel sold for use in international commerce at most major international airports nationwide.

Before C.S.D. 88-1 was issued, API and its members made numerous attempts to explain to the U.S. Customs Service the effect this ruling would have on the petroleum industry's ability to file drawback claims. The ruling was issued nevertheless.

Therefore, API supports the intent of H.R. 1871, which would nullify the effects of C.S.D. 88-1. However, as written, the bill is a short term remedy to a longer term problem. API believes that H.R. 1871 would be more effective if it amended the drawback statute to allow monthly and tank farm accounting. As it is currently written, the bill merely postpones addressing the issue. The following suggested changes would accomplish the goal of H.R. 1871 on a permanent basis and would allow the petroleum industry to return to the accounting practices that were accepted by the U.S. Customs Service prior to C.S.D. 88-1.

- Eliminate Lines 3 through 10 on Page 1, and eliminate Lines 1 through 4 on Page 2.
- Beginning at Line 3 on Page 1 insert the following:

SECTION 1. SUBSTITUTION OF CRUDE PETROLEUM OR PETROLEUM DERIVATIVES.

Section 313 of the Tariff Act of 1930 (relating to drawback and refunds) is amended by redesignating subsections (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), and (m) as subsections (d), (e), (f), (g), (h), (i), (j), (k), (l), (m), and (n), respectively, and by inserting after subsection (b) the following new subsection:

"(c) Notwithstanding any other provision of this section, when articles manufactured or produced from crude petroleum or petroleum derivatives under subsections (a) or (b), or such duty paid imported articles, are stored in common storage with other articles of the same kind and quality that were otherwise manufactured or produced, drawback shall be paid on the articles withdrawn for export from such common storage (regardless of the source or origination of the articles withdrawn): Provided, That--

"(i) inventory records on a calendar month basis (not daily or transaction by transaction) demonstrate sufficient quantities of imported duty-paid articles, or articles manufactured or produced under subsections (a) or (b), in the common storage for the claimant against which such withdrawal shall be designated;

"(ii) each claimant shall account for its deliveries to and withdrawals from such common storage assuring that the drawback paid shall not exceed the amount of drawback that would be payable hereunder had all of the articles withdrawn from common storage been imported and duty-paid, or manufactured or produced under subsection (a) or (b); and

"(iii) certificates of delivery, or certificates of manufacture and delivery, establishing the drawback eligibility of the imported duty-paid articles, or articles manufactured or produced under subsections (a) or (b), when required, will be filed with the drawback entry.

For purposes of this section, the phrase "common storage" includes all articles of the same kind and quality stored at a single facility regardless of the number of bins, tanks or other containers utilized. "Single facility" means all storage units contiguous to a manufacturing plant, warehouse complex, terminal area, airport or bunkering facility, etc.

For purposes of this section the phrase "same kind and quality" means articles that are commercially interchangeable and are commonly referred to under the same general product classification.

This amendment shall apply to all claims filed or liquidated on or after January 1, 1988, without regard to section 514 of the Tariff Act of 1930.

SEC. 2. TECHNICAL CORRECTION.

Subsection (b) of section 309 of the Tariff Act of 1930 is amended by inserting "imported articles," after "foreign-trade zone,".

API believes that the preceding suggestions will improve and strengthen the intended effect of H.R. 1871, to allow monthly and tank farm accounting for commingled petroleum products when a drawback claim is made.

If you have any questions or would like additional information, please contact Ed Beck at 682-8418.

Chevron

Chevron U.S.A. Inc.
1700 K Street, N.W., Washington, DC 20006

Clair Ghylin
Vice President

May 31, 1989

The Honorable
Sam M. Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U. S. House of Representatives
Room 1102, Longworth House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

Chevron Corporation would like to express its support for legislation to modify the treatment of import duty drawback. Our comments are in response to your May 3, 1989, news release requesting written testimony on various tariff and trade bills.

Two bills included in that release, H.R. 1871 and H.R. 2033, would supercede implementation of Customs Service Decision (C.S.D.) 88-1. We expressed our strong concerns about that Decision in my March 27 letter to you, a copy of which is attached. We would be supportive of either of these bills to prevent enforcement of C.S.D. 88-1, although we would prefer the permanent solution in H.R. 2033.

We are encouraged by your subcommittee's consideration of this issue. We continue to believe that the effects of C.S.D. 88-1 are at variance with the Congressional intent to encourage U.S. exports by payment of import duty drawback. C.S.D. 88-1's retroactive application effectively precludes taxpayers from claiming drawback on certain past exports and its prospective application prevents taxpayers from filing claims on certain activities for which, as a practical matter, the documentation cannot be prepared as now required. We urge you to avoid this result by passage of legislation.

Very truly yours,

Clair Ghylin

Attachment

Chevron U.S.A. Inc.
1700 K Street, N.W., Washington, DC 20006

Clair Ghylin
Vice President

March 27, 1989

The Honorable
Sam M. Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Room 1102, Longworth House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

On behalf of Chevron U.S.A. Inc., I would like to thank you for the opportunity, pursuant to your Press Release Number 3, to submit our comments and concerns regarding the operations and activities of the U. S. Customs Service, in particular the drawback program. I request that our comments be included in the written record of the hearings.

Drawback is a program that allows companies that import raw materials and transform them into products for subsequent export to get a refund of most of the import duty originally paid. The purpose of duty drawbacks is to assist industries to compete in foreign markets and to increase U. S. exports. As a substantial importer and exporter, Chevron U.S.A. is directly affected by the decisions and administrative procedures established by Customs. In the past, our working relationships have been excellent. However, in the last several years these relationships have suffered as a result of what appears to us to be an anti-trade attitude on the part of Customs that impairs the ability of certain U.S. manufacturers such as Chevron to compete effectively in export markets.

Our primary concern is the publication in 1988 of Customs Service Decision (C.S.D.) 88-1 concerning import duty drawback. This final ruling, in our opinion, is unreasonable in its interpretation and overturns a long-standing practice previously supported by Customs. This practice of using a monthly, tank-farm accounting method is the most cost effective means of administering drawback for the claimant and probably for Customs. C.S.D. 88-1, however, creates the requirement that "commingled" inventories be accounted for on a daily, tank-by-tank basis and would sharply limit duty drawback claims for a number of industries, including the petroleum industry. Moreover, this ruling enormously increases the complexity and administrative burden of preparing drawback claims.

In an era of huge U.S. trade deficits, C.S.D. 88-1 seems particularly inappropriate, as it lessens the ability of U. S. exporters to compete in foreign markets, particularly in jet fuel markets. As an illustration, airlines destined for foreign ports may increase the use of bonded jet fuel, which has no import duty, rather than purchasing domestic jet fuel.

I am particularly concerned that C.S.D. 88-1 is being applied retroactively by Customs. This works to the detriment of exporters such as Chevron who in good faith have complied with the previous procedures endorsed by Customs and who, as a result, do not have the records now required by C.S.D. 88-1 to claim drawback for periods not yet liquidated. It has previously been the practice of Customs to follow the "piggyback" principle of record keeping that states, "We do not require an applicant to maintain special records for drawback if records it (the applicant) maintains for another purpose will do the job. Thus records it is required to keep for Internal Revenue may establish all the documentation it needs to prove exportation. If so, it need not keep another set of records for drawback. In drawback we will piggyback." (U. S. Customs November 1982 Seminar.) Under this "piggyback" principle, our existing records sufficed for drawback purposes. C.S.D. 88-1 now requires a separate and extraordinarily detailed set of record-keeping procedures.

In our view, the effects of C.S.D. 88-1 is clearly at variance with the Congressional intent to encourage U.S. exports by payment of import duty drawback. C.S.D. 88-1 has the following impacts on Chevron: 1) its retroactive application effectively precludes Chevron from claiming drawback on certain past exports; and 2) it prospectively requires Chevron to discontinue filing claims on certain activities for which, as a practical matter, the documentation cannot be prepared as now required.

I realize I have given you only a synopsis of the problem C.S.D. 88-1 has created for drawback participants. However, at your request, I will supply a more detailed explanation of the issues discussed in this letter.

I thank you for your interest and would welcome your assistance in helping us to resolve this issue with Customs.

Sincerely,

Clair Ghylin
Vice President

CG/w

cc: Members of the Subcommittee on Trade

COMSTOCK & THEAKSTON, INC.
SINCE 1894
466 Kinderkamack Rd. • Oradell, N.J. 07649 • FAX (201) 967-8906 • (201) 967-1220
CUSTOMS BROKERS
DRAWBACK SPECIALISTS

May 30, 1989

Committee on Ways and Means
U.S. House of Representatives
Room 1102, Longworth House Office Building
Washington, DC 20515

Attention: Mr. Robert J. Leonard, Chief Counsel

Dear Mr. Leonard,

The following are our comments on two of the trade bills pending in congress.

1) H.R. 1871 - We believe that this bill duplicates the intent of H.R. 2033. Futhermore, the bill is negative in its perspective and therefore does not offer a clear alternative to CSD 88-1, especially since CSD 88-1 states that many of the prior rulings, including CSD 83-54, CSD 82-35, and CSD 84-82, are to be interpreted in the same way as CSD 88-1. This fact then renders point (2) in H.R. 1871 as void of any clear direction concerning the procedures it intends to establish. Because of these reasons, we propose that H.R. 1871 be dropped and that H.R. 2033 be passed as modified below.

2) H.R. 2033-
   a) The redesignation of the many subsections in the first paragraph under Section 1 is unnecessary, and would not only create much confusion, but also would require the reprinting of new forms which currently contain these designations. Since the subsections to which this bill refers are clearly stated in the body of the bill, we see no reason why the proposed new subsection cannot be designated as subsection (n). The bill should therefore be charged as follows:
   -line 5- delete "redesignating subsections"
   -line 6- delete
   -line 7- delete
   -line 8- delete "and by"; change (b) to (m)
   -line 10- change (c) to (n)

b) Section 2, the Technical Correction, is apparently being added to effectively change the holding of CSD 86-24, and to make subsection (b) of section 309 of the Tariff Act of 1930 applicable to same condition and same condition substitution drawback. While it is possible that the mere insertion of the words "imported articles" could accomplish this, it seems that Customs could still interpret "articles of domestic manufacture or production" as applying only to 313(a) & (b). This is especially true since CSD 86-24 stated that "inasmuch as section 1309 (b) is not specifically amended by section 1313(j)(3) [now redesignated as 1313(j)(2)], "articles of domestic manufacture or production" as used therein should therefore properly retain the meaning intended at the time of its original enactment". In order that there be no misunderstanding on this point, we recommend that, in addition to the insertion of "imported articles" as proposed, the bill also insert the words "under section 313(a)(b), and (j)(2)" after "articles of domestic manufacture or production".

We appreciate the opportunity to comment on these bills. We trust that our comments will be seriously considered in the deliberation process. Thank you.

Sincerely,

COMSTOCK & THEAKSTON, INC.

William A. Hagedorn

William A. Hagedorn
Vice President-Drawback Operations

WAH:ar
encl.

H.R. 1872

To temporarily reduce and to suspend the duty for 1,6-hexamethylene diisocyanate.

MOBAY CORPORATION
Mobay Road
Pittsburgh, Pennsylvania 15205-9741

N. H. PRATER
President and CEO

Phone
(412) 777-2414

May 19, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

This letter is written to express Mobay's strong opposition to House of Representatives Bill H.R. 1872. H.R. 1872 proposes the reduction and suspension of duty on 1,6 hexamethylene diisocyanate (HDI) under the new international "Harmonized System" of tariff classifications. The current duty became effective January 1, 1989 following the passage of the Omnibus Trade and Competitiveness Act in August of 1988.

The Committee should be aware that products based on imported HDI compete in the marketplace with Mobay products that are based on domestically produced raw materials. Furthermore, the acceptance of these HDI-based products in the marketplace is due to many years of product and commercial development efforts spearheaded and financed by Mobay.

Secondly, in the past, Mobay has made very significant investments in plants and facilities to manufacture isocyanates in New Martinsville, West Virginia and Baytown, Texas. Our HDI facility in Baytown, Texas is currently being expanded by 50% with an expenditure of $25 million. The expansion will result in additions to the work force. A further 40 million pound expansion in 1992 at an additional cost, of approximately $40 million, has been committed. These investments are justified on the basis of increased market demand and satisfactory return on our investments. Foreign competition with preferential tariff treatment as proposed would jeopardize these plans.

Third, investments by Mobay in the United States provide an export capability for HDI and enhance this country's balance of payments. For example, in 1988 we exported 8.23 million pounds of HDI and an additional 1.931 million pounds of HDI in a chemically modified form for a total of 10.16 million pounds. Approximately half of this amount was exported to Germany, a member nation of the European Economic Community (EEC). Under the "Harmonized System" of tariff classifications, HDI imported into Germany, and all other EEC nations, is dutiable at a rate of 13%. It would be very difficult to rationalize free entry for HDI into the U.S. from Europe when our exports to Europe are dutiable at 13%.

Finally, the objective in developing the "Harmonized System" of classifying products for international trade was to simplify and unify tariff schedules so that trading between countries throughout the world would be easier, efficient, and more cost effective. Emphasis throughout negotiations was placed on the need for simplification and competitiveness. The proposal in H.R. 1872 is counter-productive to these important objectives.

We ask for your consideration of these views, and urge that you give unfavorable treatment when debating H.R. 1872 by not approving the requested duty reduction or suspension on HDI.

Should you or any member of the Committee need to further discuss the views expressed in this letter, please call G. T. Harrick, Vice President and General Manager, Coatings Division (412-777-2604), or P. G. Gemeinhardt, Director, Communciations & Advocacy for Chemical Industry Issues (412-777-4875).

Thank you.

Sincerely,

N. H. Prater

COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES

COMMENTS OF RHONE-POULENC INC. ON MISCELLANEOUS TARIFF BILL H.R. 1872

Pursuant to the Subcommittee on Trade, Committee on Ways and Means, May 3, 1989 Request for Written Comments on Certain Tariff Bills, Rhone-Poulenc Inc. respectfully submits these comments on H.R. 1872, a bill to temporarily reduce and to suspend the duty for 1,6 hexamethylene diisocyanate. A companion Bill, S. 929, has also been introduced by Senator Rockefeller.

I.

DESCRIPTION OF RHONE-POULENC AND ITS PRODUCT

Rhone-Poulenc Inc. is a U.S. corporation which manufactures chemicals, high performance ceramics and rare earths at more than 40 facilities in the United States.

In March 1988, upon completion of an expansion of its Freeport, Texas, plant, the Company began the manufacture of polyisocyanate resins. These resins are used by the U.S. paint manufacturing industry to make polyurethane coatings. These coatings have useful lives of up to fifteen years, and represent a significant technological improvement over alkyd paint coatings, which often have useful lives of two to four years. Thus, these polyurethane coatings provide substantial cost savings due to reduced maintenance requirements, and have found application, among other uses, on military and civilian aircraft and land vehicles. When Rhone-Poulenc's Freeport facility reaches full capacity, the market value of the downstream polyurethane coatings produced from Rhone-Poulenc feedstock alone will be approximately $500 million. Rhone-Poulenc anticipates that exports of its product will grow from their current level of 20% of plant output to 25% of plant output when the plant reaches its capacity.

The long-term economic viability of Rhone-Poulenc's new investment and facility in Freeport, Texas, and the Company's participation in the emerging polyurethane coatings industry are now seriously threatened as a result of a customs duty increase of more than 100 percent on a key raw material which Rhone-Poulenc imports at the port of Houston and uses in the manufacture of polyisocyanate resins -- 1,6 hexamethylene diisocyanate, or HDI-monomer. H.R. 1872 will provide Rhone-Poulenc with temporary relief from this duty increase.

II.

DESCRIPTION AND ORIGINS OF DUTY OF INCREASE ON 1,6 HEXAMETHYLENE DIISOCYANATE

In 1984, Rhone-Poulenc sought and received a classification Ruling from the U.S. Customs Service advising that HDI-monomer was properly classified under Item No. 452.5290 of the Tariff Schedules of the United States (TSUS). Products classified under TSUS Item No. 452.5290 bore a rate of duty of 7.9 percent ad valorem.

With the passage and signing of the Omnibus Trade and Competitiveness Act of 1988, the Harmonized Tariff System (HTS) replaced the TSUS, effective January 1, 1989.

Upon learning that adoption of the HTS was provided for in an earlier version of the omnibus trade bill, the Company had undertaken a comprehensive review of the HTS to assess its effect on imports. Following this review, the Company proceeded to seek a classification Ruling from the U.S. Customs Service with respect to the proper HTS subheading classification for HDI-monomer. The Customs Service issued a Ruling dated April 29, 1988, which indicated that HDI-monomer would be classified under HTS subheading 2929.10.50. The rate of duty for products classified under this subheading 2929.10.50 is 16.2 percent *ad valorem*, plus 2.9¢ per kilogram -- *a duty increase on HDI-monomer of over 100 percent*.

The reason for this higher level of duties is that, in the process of converting from the TSUS to the HTS, commodities classified under various TSUS Item Nos. were reclassified to the subheadings provided for in the HTS. For example, the chemicals classified with HDI-monomer in TSUS Item No. 452.5290 were reclassified into approximately 50 separate HTS subheadings, each with a specific tariff rate. In addition to the chemicals reclassified from TSUS Item No. 425.5290 to HTS subheading 2929.10.50, certain chemicals previously classified in TSUS Item No. 405.80 were also placed within HTS subheading 2929.10.50.

Rhone-Poulenc understands that one method used to determine the tariff levels for the HTS subheadings was on the basis of the TSUS tariff level for the commodity representing the preponderance of trade among the commodities placed within the HTS subheading. Significantly, the volume of trade in chemicals reclassified from TSUS Item No. 405.80 to HTS subheading 2929.10.50 exceeded the volume of trade in chemicals reclassified from TSUS Item No. 425.5290 to HTS subheading 2929.10.50 (*i.e.*, HDI-monomer). The rate of duty for TSUS Item No. 405.80 was 16.2 percent *ad valorem*, plus 2.9¢ per kilogram (or 1.3¢ per pound). Since in this case the rate of duty was determined by reference to the rate of duty for the trade-preponderant commodity(s), as previously described, the rate of duty for HTS subheading 2929.10.50 is 16.2 percent *ad valorem*, plus 2.9¢ per kilogram, and not the 7.9 percent *ad valorem* rate formerly assessed on HDI-monomer imports.

Thus, the increased duties on HDI-monomer imports are a result of the circumstance of the association of HDI-monomer with other chemical products classified to HTS subheading 2929.10.50, and are not due to any policy decision by any U.S. government authority or agency to change the tariff treatment of HDI-monomer.

III.

BASIS FOR AND DESCRIPTION OF TARIFF RELIEF SOUGHT

The technology for the manufacture of polyisocyanate resins is a relatively new one. Rhone-Poulenc only completed its Freeport, Texas, facility in March of 1988. There is only one domestic producer of HDI-monomer, Rhone-Poulenc's primary competitor in the polyisocyanate resin market, and that company has no excess HDI-monomer supplies available for sale to Rhone-Poulenc. Therefore, for the immediate future Rhone-Poulenc must continue to import HDI-monomer as feedstock for its Freeport, Texas, manufacturing facility.

The adverse consequences of the impending increase in duties will be borne not only by Rhone-Poulenc, but also by its downstream customers. This burden will be felt in many and varied ways. First, because the polyisocyanate resin technology is new, many of Rhone-Poulenc's prospective polyisocyanate resin customers conducted extensive testing of the Company's product before making a substantial financial commitment to this new technology. Rhone-Poulenc's customers entered into contracts only after three to five years of tests demonstrated that Rhone-Poulenc's product could satisfy the customers' specifications. In turn, many of Rhone-Poulenc's customers entered into contracts with their downstream customers, similarly specifying that Rhone-Poulenc's product, and not its competitor's product, be used. If Rhone-Poulenc's product ceases to be available or economical, these customers will have to repeat the testing process before they can acquire the product from Rhone-Poulenc's competitor. Thus, these downstream customers of Rhone-Poulenc's polyisocyanate resin plant rely on both the plant's continued economic viability and operation, and the continued price competitiveness of the goods sold to them by Rhone-Poulenc for use in their own manufacturing processes.

The alternatives for dealing with this higher rate of duty -- price increases, exporting rather than selling in the U.S. to obtain duty drawbacks, or absorption by Rhone-Poulenc of the cost of the duty -- will either suppress demand, reduce margins, or reduce supply in the U.S. Any of these will inhibit the further development by Rhone-Poulenc of markets for this new technology. In all events, U.S. industry and consumers are harmed by the duty increase to the benefit of no domestic entity or group since there is no available domestic supply of HDI-monomer which will be displaced in the market by Rhone-Poulenc's imports. There is a market demand in excess of the current supply of polyisocyanate resins, and it is this unsatisfied demand which Rhone-Poulenc believes can be served if its production costs are not inflated by import duties. Rhone-Poulenc's production and marketing personnel do not anticipate displacing their competitor either as a domestic source of HDI-monomer, or of polyisocyanate resins. Rather, Rhone-Poulenc anticipates serving new, incremental markets and demand. In fact, in early 1989 that company contacted Rhone-Poulenc to inquire as to whether Rhone-Poulenc would supply HDI-monomer to them. Rhone-Poulenc is unable to meet this additional demand at this time. Thus, if Rhone-Poulenc's competitor continues to experience a shortage of supply of HDI-monomer, it, too, may be the beneficiary of the reduced levels of duty provided for in H.R. 1872.

IV.

CONCLUSION

Rhone-Poulenc submits that facilitating the importation of raw materials produced abroad, which raw materials can then be used by U.S. companies in their own process for manufacturing sophisticated, high value-added products, is sound tariff policy.

Conversely, allowing the unintended increase in HDI duties to continue deprives U.S. consumers of the maintenance cost-saving benefits of HDI-based new polyurethane coating technology. It also threatens the viability of Rhone-Poulenc's domestic manufacturing business and severely limits Rhone-Poulenc's ability to win increased domestic and foreign markets for its U.S. production of polyisocyanate resins. This is unsound economic and trade policy.

Finally, no domestic manufacturer is either protected by the duty or will be adversely affected by suspension of the duty. And, indeed, given that the sole domestic manufacturer also has asked to purchase from Rhone-Poulenc some of its imported HDI-monomer, Rhone-Poulenc believes that there is no basis in existing trade policy for retaining the duty.

Rhone-Poulenc is currently exploring the construction in the U.S. of a facility for producing HDI-monomer.

However, the Company estimates that planning and construction of such a facility will take several years. H.R. 1872 provides for a suspension of the duties levied on HDI-monomer through December 31, 1992, and further provides for reliquidation to the pre-HTS 7.9% ad valorem rate from the date of enactment to January 1, 1989. If enacted into law, the Bill would permit the Company time to pursue its domestic source options without suffering the severe economic consequences resulting from the HTS conversion and consequent duty increase, and would permit the Company to remain competitive in emerging domestic and export polyisocyanate resin markets.

H.R. 1878

To require the posting of a surety bond with respect to products manufactured in foreign countries or customs unions.

No statements submitted.

H.R. 1881

To increase temporarily the duty on mattress springs that are the product of Mexico.

No statements submitted.

H.R. 1884

To suspend temporarily the duty on quizalofop-ethyl.

No statements submitted.

H.R. 1885

To suspend temporarily the duty on tefluthrin.

STATEMENT OF ICI AMERICAS INC.

DUTY SUSPENSION FOR TEFLUTHRIN (H.R. 1885)

ICI Americas Inc., a Delaware Corporation, supports H. R. 1885 which would suspend temporarily the duty on imports of tefluthrin for a three year period.

Tefluthrin, marketed under the trade name FORCE, is a pyrethroid, a novel class of insecticides which evolved from pyrethrum, a natural insecticide found in certain chrysanthemum plants. FORCE, the first pyrethroid developed solely for soil applications, is unique in that it is the only soil active pyrethroid developed specifically for use on corn soil insects. It is the most advanced granular corn soil insecticide developed by any company because it makes available a new chemical class for critical, early control of corn soil insects in any soil environment.

However there is no domestic source for tefluthrin, nor any likelihood of a domestic source developing in the foreseeable future. ICI imports tefluthrin to meet all its domestic requirements. The imposition of the 12.5 percent ad valorem duty has significantly increased the cost to ICI of bringing this new product to the market. The duty rate is a totally unavoidable cost to the company--unavoidable because there is no domestic substitute available in the United States with comparable efficacy on corn soil insects. As a result the import duties add to the cost of the product to American farmers.

FORCE is cost-sensitive, and a duty reduction would result in significant savings to ICI, allowing us to increase sales and related employment. No domestic manufacturer would be harmed by the temporary suspension of the duty on this product. Thus our proposal is non-controversial. Under these circumstances Congress has always been willing to grant a temporary suspension of the duty to make American production more efficient and less costly to consumers.

The manufacturing of tefluthrin is a very complicated 13-step production process requiring very special equipment currently only available at ICI's facility in the United Kingdom. No such equipment or manufacturing facilities are available in the United States. For that reason there is no domestic production of tefluthrin, and ICI Americas must import all its requirements of this insecticide from the United Kingdom.

ICI continually looks for available facilities in the USA to produce tefluthrin that could offer both convenience for the USA market and production economies. To date, none are available. The tefluthrin formulation into FORCE insecticide is done in Memphis, Tennessee. Currently we are contracted with Pro-Serve, Inc. in Memphis, Tennessee to produce all USA requirements for FORCE insecticide. As sales of FORCE expand, we expect to employ about 30 people full time year round at Pro-Serve at Memphis.

Primary Use:

FORCE is used primarily to control corn rootworms at planting time in corn. However, the greatest advantage FORCE enjoys is superior black cutworm control at planting time in corn. In addition to excellent control of rootworms, cutworms, wireworms and other soil insects, FORCE has other advantages--low application rates, low toxicity to humans and mammals, and application flexibility.

Of the 70-80 million acres of corn grown annually in the USA, about 25 million acres are treated with soil insecticides to prevent damage from corn rootworms and black cutworms. About 30 million pounds of active ingredient insecticide are used annually at farmer costs of about $275 million. If FORCE were used on all acres, the environmental chemical burden would be reduced to 3 million pounds since a key advantage of FORCE is that it controls rootworms and cutworms at one-tenth the active ingredient of other soil insecticides.

The need for soil insecticides is a necessary and sound farming practice where crop rotation to a non-host crop cannot be utilized. Farmers with a rootworm problem who do not use a soil insecticide, risk a crop yield loss of up to 28-50 bushels per acre according to university researchers due to lodged and corn plants at harvest. The aggregate potential yield loss to rootworms is $1.8-3.1 billion, assuming 25 million treated acres and sales price of $2.50/bushel. A far more tragic yet intangible loss is that lodged corn at harvest is sometimes cited as a factor in farmer death or injury in harvester related incidents.

FORCE is labeled for the following insects attacking corn:

Western corn rootworm
Northern corn rootworm
Southern corn rootworm
Black cutworm
Seedcorn maggot
Seedcorn beetle
Lesser corn stalk borer
White grubs (suppression)
Wireworms (suppression)

FORCE is used in the states listed:

Iowa
Illinois
Indiana
Nebraska
Ohio
Missouri
Kansas
Minnesota
Wisconsin
Michigan
South Dakota
Pennsylvania

Other states such as Texas, Kentucky, Tennessee, Virginia, and New York also use FORCE, but in smaller quantities.

Competitive products:

In this area there really is no competing product, but rather complementary products. For many years the market was comprised of only two basic chemistry families -- organophosphates and carbamates. With the EPA approval of FORCE, a third family, pyrethroids, was added. Universities strongly recommend that farmers rotate chemical classes each year in order to reduce the potential for insect resistance and enhanced microbial degradation to develop. FORCE therefore becomes extremely important to farmers because FORCE offers the a significant product in an alternate chemical class for use in product rotation.

Tariff Classification:

ICI Americas Inc. began its imports of tefluthrin in 1988. Tefluthrin is classifiable under a basket item in the Harmonized Tariff Schedule of the United States (HTS). The basket item, in HTS heading item number, 2934.90.1600.0, classifies, "Other heterocyclic compounds; other; aromatic or modified aromatic; other; pesticides; other; insecticides," and carries a duty rate of 12.5% ad valorem.

H.R. 1886

Relating to the tariff reclassification of agglomerate marble floor tiles.

NEVILLE, PETERSON & WILLIAMS
COUNSELLORS AT LAW
39 BROADWAY
NEW YORK, NEW YORK 10006
TELEPHONE: (212) 635-2730
FACSIMILE: (212) 635-2734

MARTIN J. NEVILLE
JOHN M. PETERSON
DAVID C. WILLIAMS

OF COUNSEL
WILLIAM L. DICKEY *
* NOT ADMITTED IN NEW YORK

WASHINGTON OFFICE

DICKEY, NEVILLE, PETERSON
& WILLIAMS
1825 I STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20006
(202) 429-2067
FAX (202) 429-9574

VIRGINIA OFFICE

DICKEY, NEVILLE, PETERSON
& WILLIAMS
6850 NORTH FAIRFAX DRIVE
ARLINGTON, VA 22213
(703) 534-5643
FAX (703) 534-0329

May 30, 1989

Our File: 1605-01

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Longworth Office Building
Washington, D.C. 20515

Re: Comments of Blakley Corporation in
Support of H.R. 1886

Dear Sir:

These comments are submitted on behalf of Blakley Corporation of P.O. Box 50750, Indianapolis, Indiana 46258, in support of H.R. 1886, a bill to permanently change the treatment of certain "agglomerate marble tiles" under the Harmonized Tariff Schedule of the United States (HTSUS), 19 U.S.C. Section 1202. Blakley urges, however, that the language of the bill be modified to insure that it effects a change in tariff treatment for all "artificial stone" tiles.

Blakley Corporation is an established importer and distributor of marble, granite, stone and other quarried construction materials, which it supplies for construction projects throughout the United States. In addition to articles of natural stone, Blakley also imports artificial stone tiles, slabs and other construction materials. Typically, these "artificial stone" materials are produced from marble or granite chips or dust which are milled to smaller sizes, mixed with a plastic resin "binder," agglomerated and pressed into blocks, cut and shaped to final size, and polished. The tiles closely resemble natural marble and stone tiles, and have a strength commensurate with their use in construction of private and public buildings and similar facilities throughout the United States. They are typically used as floor and wall tiles in hotel and office building lobbies, hallways, plazas, councourses, and similar areas.

Under the former Tariff Schedules of the United States (TSUS), artificial stone tiles were typically classified under TSUS item 515.54 as "stones suitable for use as monumental, paving or building stone: Hewn, sawed, dressed, polished, or otherwise manufactured", and were dutiable at the rate of 6% ad valorem.[1] However, in converting from the former TSUS to the HTSUS, the drafters of the new tariff inadvertently included "artificial stone" tiles in a tariff provision which also includes concrete and cement tiles. The tariff provision, HTSUS item 6810.19.10.00.4, bears the extremely high duty rate which, under the TSUS, had applied only to "concrete" tiles:

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[1] The artificial stone tiles could not be classified as "concrete" tiles since they did not include a "mineral aggregate such as sand, crushed stone or gravel". See former TSUS Schedule 5, Part 1, Subpart A, Headnote 1(b). Furthermore, the blocks were not classifiable as "ceramic" tiles, since they did not meet the definition of a "ceramic article", contained in former TSUS Schedule 5, Part 2, Headnote 2(a).

6810	Articles of cement, of concrete, or of artificial stone, whether or not reinforced:	
	Tiles, flagstones, bricks and similar articles.	
6810.11.00.	Building blocks and bricks	4.5%
6810.19	Other:	
6810.19.10.	Floor and wall tiles	21%
6810.19.50.	Other	4.9%

As written, HTSUS item 6810.19.10 encompasses all floor and wall tiles, whether of cement, of concrete, or of artificial stone. While such treatment is consistent with the treatment accorded to cement or concrete tiles under the TSUS, it has resulted in a dramatic increase in the rate of duty applicable to artificial stone tiles.

In Customs Ruling Letter 824848 of October 2, 1987 and most recently in Customs Headquarters Ruling 084072 of May 8, 1989, the United States Customs Service has held artificial stone tiles, consisting of marble chips agglomerated with a plastic binder, to be classifiable under HTSUS item 6810.19.10, with duties at the rate of 21% *ad valorem*. Customs concluded that the imported tiles fall within the definition of "artificial stone" contained in the *Explanatory Notes* to the Harmonized System. Those Notes provide that:

> Artificial stone is an imitation of natural

> stone obtained by agglomerating pieces of natural stone or crushed or powdered natural stone (limestone, marble, granite, porphyry, serpentine, etc.) with lime or cement or other binders (e.g., plastics). Articles of artificial stone include those of "terrazzo", "granito", etc.

In Customs Headquarters Ruling 084072 of May 8, 1989, the Customs Service acknowledged that the conversion to the HTSUS had effected a substantial duty change for artificial stone tiles.

Increasing the duty rate applicable for artificial stone tiles from 6% to 21% _ad valorem_ imposes a substantial financial burden upon Blakley Corporation and other United States importers and distributors of this merchandise. The unforeseen duty rate consequence has a particularly harmful impact on Blakley and other companies which, in successfully bidding for contracts to deliver artificial stone tiles in 1989 or later, based their bids upon calculations which included the duty rate which had applied under the TSUS. Unless the tariff is corrected, and on a retroactive basis, such companies could sustain significant unrecoverable financial losses. In the long term, the dramatic duty increase for artificial stone tiles will increase costs for the United States construction industry, as well as for public organizations engaged in construction projects.

High tariffs for cement and concrete tiles have traditionally provided protection for the United States' cement and concrete industries. However, no similar industry protection function is served by a 21% _ad valorem_ duty on artificial stone tiles.

H.R. 1886 would correct the inequity resulting from conversion of the tariff to the HTSUS, and would provide for artificial stone tiles a duty rate commensurate with that assessed against bricks, blocks, pipes and other structural components composed of artificial stone.

Blakley Corporation notes that, as written, H.R. 1886 would correct the tariff treatment of "agglomerate marble tiles". The quoted phrase is not one which is defined in the tariff, or in the Explanatory Notes to the Harmonized System. Blakley is concerned that, if H.R. 1886 were enacted in its present form, questions could arise in the future concerning whether a particular product is "agglomerated" or is of "marble". [For example, what would be the tariff treatment of an agglomerated "artificial stone" tile made from marble and non-marble chips?] In order to fully correct the unexpected tariff rate increase and to place United States importers and builders on the same competitive footing they enjoyed prior to the tariff conversion, Blakley recommends that H.R. 1886 be amended so that new HTSUS heading 6118.12 provides for all "artificial stone tiles", with duties thereon at a rate of 4.9% ad valorem. Such language would completely address the instant problem in an equitable manner. It would also be susceptible to easy administration, as the term "artificial stone" is specifically defined in the Explanatory Notes to the Harmonized System. Appended as Exhibit A to this letter is a proposed revised version of H.R. 1886.

Blakley Corporation stands ready to furnish any additional assistance or information which the Committee may require.

Respectfully submitted,

John M. Peter

JMP:pcv

JOHN M. PETERSON

COMMENTS OF COLOR TILE, INC.

IN SUPPORT OF H.R. 1886,

RELATING TO TARIFF RECLASSIFICATION FOR AGGLOMERATE MARBLE TILE

Color Tile, Inc., a domestic producer and importer of tile products, submits these comments in support of H.R. 1886, which would reclassify agglomerate marble floor tile under the Harmonized Tariff Schedule of the United States (HS). The proposed legislation would create a separate category for agglomerate marble tile, which is formed by bonding marble chips with a binding resin. Thus, agglomerate tile would be assessed a 4.9 percent _ad valorem_ duty, while "other" floor and wall tile would retain the 21 percent duty which is also now assessed on agglomerate marble tile. The purpose of the legislation is to correct the effect of the conversion from the Tariff Schedules of the United States (TSUS) to the HS. The legislation would apply to all merchandise entered or withdrawn from warehouse for consumption on or after January 1, 1989, the effective date of the HS in the United States.

Color Tile is a Delaware corporation headquartered in Fort Worth, Texas which operates 701 specialty flooring and wallcovering retail stores servicing "do-it-yourself" and commercial customers throughout the United States. Color Tile sells hard surface tile, such as ceramic, mosaic, quarry, and wood parquet tile, resilient flooring, wallpaper, and installation materials and tools. Its sales of agglomerate marble floor and wall tile totalled $4.75 million in 1988.

Because of the conversion on January 1, 1989, from the TSUS to the HS, agglomerate marble tile is now subject to a 21 percent duty, even though it was subject to a 5.3 percent duty under the previous tariff system. The reason for the increased duty is that agglomerate marble tile, beginning in 1989, is now classified under HS 6810.19.1000, covering the broad category of floor and wall tile of cement, concrete, or artificial stone, whether or not reinforced. Before 1989, it was classified according to its binding resin under TSUS 774.58, covering miscellaneous plastic articles.

The Explanatory Notes to the HS state that artificial stone classified under HS 6810 is defined as "an imitation of natural stone obtained by agglomerating pieces of natural stone or crushed or powdered natural stone (limestone, marble, granite, porphyry, serpentine, etc.) with lime or cement or other binders (e.g., plastics)." No longer, therefore, will such tile be classified according to the binding resin. The effect of this change in classification, however, is that as of January 1, 1989, Color Tile and other importers of agglomerate marble tile are subject to a tariff increase of 15.7 percent _ad valorem_.

Color Tile urges this Committee to support this legislation for several reasons. First, the extremely high tariff rate of 21 percent is causing hardship to U.S. importers and U.S. consumers of agglomerate marble tile when there is no need to protect the domestic industry producing this tile. Typically, tariffs are not set at such a high rate unless there is a need to protect a U.S. industry. In the case of agglomerate marble tile, however, the product manufactured in the United States is different in appearance and function from the foreign product, and the domestic industry is small and not in need of protection.

This type of tile is produced primarily in Italy, using Italian marble, which offers the purchaser more variety in color and appearance than the product produced in the United States.

In addition, the domestic product is manufactured in a different manner from the foreign product and is used for different purposes. The Italian product is produced using the latest technology, which involves forming blocks of agglomerate marble and cutting them as stone. The product is then made into small tiles and polished. Most U.S. producers, on the other hand, utilize an older technology, which involves forming the agglomerate marble on cardboard backing and then polishing the product. Moreover, the American and Italian products are quite different in appearance. The Italian product normally utilizes larger marble chips of up to three inches, whereas the U.S. sheet-made product is limited to a finer grain of chip of up to only 1/4 inch. Finally, the Italian product is used mainly for architectural purposes. Therefore, domestic and foreign agglomerate marble tile are different in appearance and function.

U.S. producers are not in need of protection because they are easily able to sell everything they manufacture. Demand for agglomerate marble tile would not be serviced merely by U.S. production because, as Color Tile believes, there are only three U.S. producers of agglomerate marble tile. The demand in the United States for agglomerate marble tile is sufficiently high and diverse that it is served by all U.S. production plus imports from Italy and Taiwan. In addition, the U.S. industry exports some of its product to countries such as Great Britain and Japan, which demand the American product because of its different appearance.

Therefore, the comparable domestic industry, to the extent that it exists, does not compete with the foreign industry because the agglomerate marble tile produced is substantially different from the foreign product. In addition, U.S. producers are unable to produce agglomerate marble tile in the scale or of the type required by importers such as Color Tile and the American consumer, who must source their supply from abroad. Therefore, it is not necessary to place such a prohibitively high tariff on agglomerate marble tile, and the tariff should be reduced through a reclassification of agglomerate marble tile.

A second reason to reclassify agglomerate marble tile is that through the reclassification effective through the conversion to the HS, this tile has been captured in a tariff category which is subject to a high duty rate for reasons not applicable to it. It is Color Tile's understanding that the reason that the duty for HS 6810.19.1000 is set at 21 percent is to protect the producers of another product subsumed within the classification: terrazzo poured in place. This product is cement-based, not polyester resin-based as agglomerate marble. It is poured into molds on the floor where the product will be used and then cast. At one time, the pour-and-cast industry in the United States was growing and was in need of protection, so a high tariff was set and maintained. However, the industry has died out, and there are no longer any manufacturers of this product. Therefore, it is appropriate to remove agglomerate marble tile from this tariff category and subject it to a lower tariff because the rationale behind setting such a high tariff does not apply to it.

It is important to note that this reclassification will not run counter to a recent decision by the U.S. Customs Service on agglomerate marble tile or to the Explanatory Notes to the HS. In its recent decision (HQ 083358), Customs ruled that agglomerate marble tile was appropriately classified as floor and wall tile of cement, concrete, or natural stone and should not be classified as marble. The Explanatory Notes, as discussed above, suggest a similar classification. H.R. 1886 would maintain this classification instead of reverting to the TSUS classification according to the resin used. Instead, the proposed legislation would merely create a new subcategory out of the existing category upheld by Customs and apply a lower tariff rate, thereby maintaining the classifications now employed for other stone products.

A final reason that Color Tile supports the tariff reclassification of agglomerate marble tile is that the corresponding tariff in the European Community for agglomerate marble tile is only 3.2 percent. In the interest of comity with our trading partners, therefore, the product should be reclassified into a category with a more appropriate tariff level.

Color Tile would be happy to respond to any questions which the Committee may have regarding the tariff reclassification of agglomerate marble tile.

Respectfully submitted,

Eddie Lesok ITZ

Eddie M. Lesok
Chairman of the Board and
Chief Executive Officer
Color Tile, Inc.

Statement submitted in support of H.R. 1886

Submitted by:
Mr. Timothy Skirvin
President, Landis Marble Inc.
14 Germay Drive
Wilmington, Delaware 19804
(302) 656-0696

Introduction:

Landis Marble began the importation of agglomerate marble tile in 1975. From then until June of 1979, duty imposed on this product was the same as marble tile. In May of 1979, a Legal Determination on the nature of these floor tiles was made by U. S. Customs (copy enclosed). Essentially, this decision held the tile to be a plastic product classifiable as floor covering under item 728.25 TSUS. This item number was effective from that date until Sepatember 20, 1983, when it was changed to 728.27 TSUS. Duty, however, remained the same. From then until January 1, 1989, we continued to pay duty based upon this classification. At the end of Juanuary, 1988, duty on agglomerate marble floor tiles ("synthetic plastics materials") was 5.3%.

In passing, we note that between 1975 through December 31, 1988, the duty we paid on this product ranged from 5.3% to 8.5%.

On January 1, 1989, the Harmonized System was introduced. Basically, it reclassified precast terrazzo tile and agglomerate marble tile as "Artificial Stone" (copy enclosed) with a new item number of 6810.1910 and a duty rate of 21%.

The old 728.27 number was changed to 3918.10.10 (floor coverings - vinyl tile) with an unchanged duty rate of 5.3%.

ARGUMENTS

1) Precast Terrazzo tile duty rate of 21% which apparently has been considered the standard for reclassifying the rates for agglomerate marble tiles (products 2 and 3) is, in view of negligible present day demand for "conventional poured in place terrazzo" antiquated and should be reduced so as to be commensurate with the duty rates for natural marble - i.e., 2.8% for tile; 6% for other.

2) All European Common Market countries and Canada consider precast terrazzo tile and agglomerate marble tile as natural marble. These items therefore in those countries pay the same rates as natural marble. In view of soon to be implemented "no duty between U. S. and Canada", an American importing company so determined and resourceful could apparently soon be able to import Italian produced agglomerate marble tile from sympathetic Canadian trading parties whom would be agreeable to taking delivery at Canadian port and then re-shipping it here.

   At the least, if we are indeed moving towards a harmonized system with the Common Market countries and Canada, why can't agglomerate marble tiles conform to the rates established in these countries?

3) Tempest in a Teapot - we contend that the total value of agglomerate marble tiles (products 2 and 3) imported into the U. S. for 1988 from all foreign sources did not exceed USD 5,000,000.00. If we add product number 1, perhaps USD 7,500,000.00 total. Comparatively speaking, this is a very small market and a 21% rate does no good. Whom does it protect?

4) Absence in this country of major manufacturers of precast terrazzo tile and agglomerate marble tiles. -- To the best of our knowledge, there are less than five "major" producers of those type products in the U. S, whose annual sales may exceed $3,500,000.00. We understand that these companies are rather small yet successful and close to full production capabilities. Since cement manufacturers no longer consider "poured in place terrazzo" as a viable, healthy market for their raw, cement products, the 21% tile rate really does not benefit them.

5) Whom does it hurt? - basically there are two markets for agglomerate marble tiles:

   1) Residential - marketed through importer/distributors resale whom now must charge typical American homeowners substantially higher prices so to pass on the increased duty. We could present written testimony in confirmation from a substantial listing of "interested" U. S. importers and distributors and marketers of tile.

   2) Commercial - normally sold by prime importers directly to shopping center and building owner/developers. Major market by far is to regional shopping center developers whom are just beginning to appreciate the appearance, function, performance and until January 1, 1989 - its price.

Product number 3, in fact, which is the most expensive of the three is now in high demand, but shopping center construction managers will positively not order substantially because it has new become too expensive with the duty increase. This is an absolute fact and since we're quite active with these major developers, we could present written testimony confirming this point from over 30 major, national developers of regional enclosed shopping malls.

We, ourselves, were severely hurt by this increase in duty from 5.3% to 21% which took place in January of this year. We had sales orders made in the last quarter of 1988 for deliveries well into 1989. It took considerable time, effort and investment on our part to introduce imported agglomerate marble to and then to obtain substantial orders from a very price oriented shopping center community.

By coincidence, our closing of these orders coincided with a new duty rate which was first disclosed to us in mid-January. It literally "blew us out of the saddle". As such, since we've spent so much time with these developers in cultivation, we could NOT, after an agreement had been made, go back and charge them another .35¢ per square foot as a duty surcharge. In fact, several we advised indicated to us that we could not pass on the additional charge and that if we desired a future relationship, we had to honor our previous agreed price.

As such, the minimal profit we had anticipated for these sales has turned into a "loss".

In view of not only our situation, but more importantly based on the arguments we present, we respectfully request that the agglomerate marble tile rate be returned - retroactive to January 1, 1989 - to it previous rate.

HISTORICAL ACCOUNT

Precast Terrazzo was introduced in the early 60's and soon became an attractive alternative to conventional "poured in place" terrazzo which at that time was at the top side of a boom which had begun in the early 50's. Shortly after its introduction, precast terrazzo tiles became dutiable at 21% - ostensibly to protect a somewhat vibrant "poured in place" industry as well as peripheral cement suppliers.

Basically, "poured in place" contractors buy marble aggregate chips from both domestic and foreign suppliers - then spread the chips in a cement slurry before finishing with traditional marble grinding and polishing machines.

The market however, for "poured in place" terrazzo gradually began to diminish because of escalating high labor costs associated with its installation. It has however turned back to precast terrazzo tile which has and continues to be very inexpensive to mass produce and for which the 21% duty could be rather easily absorbed into a final delivered cost because of comparative very low initial manufactured cost. In short, precast terrazzo tiles give the same basic "look" as "poured in place" terrazzo with the added advantage of substantial furnished and installed price savings. This occurs again because the material itself is inexpensive and the labor involved with its installation is comparatively simple when considered against "poured in place" terrazzo.

"Poured in place" terrazzo in fact has continued to diminish and is now considered a very special flooring item - very expensive with very few qualified or properly equipped contractors nationally.

Ironically, many former active contractors of "poured in place" terrazzo have responded to market demands and not only have abandoned the pursuit of "poured in place" terrazzo but have become conventional tile contractors quite concerned with projects involving precast terrazzo tile and agglomerate marble tile.

We are prepared to furnish corroborating on the dismal state of "poured in place" terrazzo from the Terrazzo and Marble Contractor's Association as well as a comprehensive listing of formerly active contractors of "poured in place" terrazzo whom now again are very concerned with a higher rate of duty on these tile products.

ORIGINATING OFFICE: R:R:L

DISTRIBUTION: P-73

POLICIES & PROCEDURES MANUAL

LEGAL DETERMINATION

NUMBER: 79-0155

ISSUE DATE: May 21, 1979

TSUS NO(S): 728.25

SUBJECT: Classification: Floor Tiles

OTHER DOCUMENTS AFFECTED

None.

SUMMARY: This decision concerns the tariff classification of tiles measuring 12 inches square, 3/8 inch in thickness, and consisting of crushed marble and polyester resin binding. The decision holds the tile to be a plastic product classifiable as flooring covering under item 728.25, TSUS, in the absence of evidence establishing chief use to be other than as floor covering.

December 19, 1978
CLA-2:R:CV:MA
057527 88T

This is in response to your letter of October 31, 1978, in which you requested the tariff classification for a marble tile imported presumably from a nation entitled to the column one duty rates. A sample tile was submitted with your latter.

The sample tile measures 12 inches by 12 inches and is 3/8 of an inch in thickness. It is composed of 88 percent crushed marble and 12 percent polyester resin binding.

Even though marble comprises 88 percent of the makeup of the tile, the tile is considered a plastic product by virtue of Headnote 2, Schedule 4, Part 4, Subpart A which provides as follows:

> "the term 'synthetic plastics materials' in this subpart embraces products formed by the condensation, polymerization, or copolymerization of organic chemicals and to which an antioxidant, color, dispersing agent, emulsifier, extender, filler pesticide, plasticizer or stabilizer may have been added. These products contain as an essential ingredient an organic substance of high molecular weight; are capable, at some stage during processing into finished articles, of being molded or shaped by flow and are solid in the finished article. The term includes, but is not limited to, such products derived from esters of acrylic or methacrylic acid; vinyl acetate, vinyl chloride resins, polyvinyl alcohol, acetals, butyral, formal resins, polyvinyl ether and ester resins, and polyvinylidene chloride resins; urea and amimo resins; polyethylene, polypropylene, and other polyalkane resins; siloxanes, silicones, and other organo-silicon resins; alkyd, acrylontrile, allyl, and formaldehyde resins; and cellulosic plastics materials. These synthetic plastics materials may be in solid, semisolid, or liquid condition such as flakes, powders, pellets, granules, solutions, emulsions, and other basic forms not further processed".

(MORE)

Headnote 1 (b)(i) of Schedules 7 provides that "the term 'plastics' refers to -- (i) synthetic plastics materials as defined in parts 1C and 4A of Schedule 4".

In the absence of evidence showing chief use of this merchandise other than as a floor covering, we would classify the tiles under the provision for other floor coverings in item 728.25, TSUS, with duty at the rate of 8.5 percent ad valorem.

Articles which are classifiable under item 728.25, TSUS, are eligible for entry free of duty under the Generalized System of Preferences (GSP) provided that the requirements for such entry outlined in General Headnote 3(c), TSUS, copy enclosed, are satisfied.

AUTHENTICATION

Acting Director
Regulations and Legal
Publications Division

H.R. 1887

To suspend for a three-year period the duty on L-alanyl L-proline, also known as Ala Pro.

See contents pages for statements on this bill.

H.R. 1888

To suspend temporarily the duty on mono- and dibenzyl toluenes.

No statements submitted.

H.R. 1889

To suspend temporarily the duty on hexychlorobutadiene.

No statements submitted.

H.R. 1890

To suspend temporarily the duty on 2,2,6,6-Tetramethyl-4-piperidinon and amino hydroxy- and imido derivatives.

No statements submitted.

H.R. 1891

To suspend temporarily the duty on p-Toluic acid.

No statements submitted.

H.R. 1892

To suspend temporarily the duty on Tertiary-Butylchloride.

No statements submitted.

H.R. 1893

To suspend temporarily the duty on hexychloride.

No statements submitted.

H.R. 1894

To suspend temporarily the duty on parts of generators for use on aircraft.

WRITTEN STATEMENT FOR THE RECORD OF JOHN L. HILLS, SUBCOMMITTEE ON INTERNATIONAL TRADE OF THE COMMITTEE ON WAYS AND MEANS

Mr. Chairman, members of the committee; I am John Hills, Corporate Director of Government Relations for Sundstrand Corporation. I am submitting this statement on behalf of Sundstrand Corporation in support of H.R. 1894, a bill which provides for the temporary suspension of duty on parts of generators for use on aircraft. Normally, these items would be classified as parts of generators under HTS item 8503.00.60.40, dutiable at 3.0% ad valorem.

Sundstrand Corporation (Sundstrand) is a major supplier of high technology component parts for aircraft to the Department of Defense (approximately 27% of 1988 sales), commercial aircraft producers (27%), and to the aftermarket (46%). Sundstrand's corporate headquarters and main plant are based in Rockford, Illinois, with additional production and service facilities situated throughout the United States and abroad. At present, Sundstrand employs approximately 14,000 people.

Among the many products which Sundstrand produces are a variety of electrical generation systems, and it is the world leader in the manufacture of such highly technical products. These systems utilize a constant speed drive (CSD) component as well as a specifically designed electrical generator. A CSD is a hydromechanical transmission device which converts the variable speed input provided by an aircraft engine into a constant speed revolution output to drive the aircraft's electrical generator. The generator, in turn, uses this energy to provide a reliable and stable electrical source to power the aircraft's electrical system.

The CSD itself consists of a hydraulic assembly which operates in conjunction with a differential gear assembly. These components are housed together in two cast magnesium parts designated input and output housings. The CSD is typically located in the aircraft on the accessory gearbox in military applications, or on the engine gearbox in commercial applications. A generator is fastened onto the CSD and is run by the CSD's constant speed output as described above.

In addition to producing a CSD in a separate housing, Sundstrand also produces two variations of CSDs in combination with spray-oil cooled generators. The first of these units, the Integrated Drive Generator (IDG), consists of separately housed CSDs and generators which are attached to one another. The CSD and generator, although separately housed, do share the same oil supply.

A second possible configuration, the Electrical Power Generating System (EPGS), consists of a further refinement of the IDG. In this arrangement, the CSD and the spray-oil cooled generator are combined within the same housing. The EPGS can be produced in either a side-by-side configuration wherein the axial gear differential assembly is located side-by-side with the generator or in a low frontal area configuration wherein the generator is located directly behind the axial gear differential. Whether an IDG or an EPGS, however, the net effect is the same: a smaller, lighter and more reliable product than that attainable in a separate CSD and generator configuration.

Sundstrand supports the passage of H.R. 1894 for several reasons. First, by temporarily suspending duties for parts of generators for aircraft, Congress will be affording generator parts for aircraft the same tariff treatment that is currently afforded other parts of aircraft under HTS item 8803.30.00. This duty rate equalization will allow companies such as Sundstrand to better focus on providing these parts to their customers instead of having to focus on differentiating between those parts which are dutiable and those parts which are duty free.

Second, the Customs Service has recently issued a ruling confirming classification of certain CSD parts as parts of aircraft under HTS item 8803.30.00. Because newer generations of Sundstrand's product line, i.e., the IDG and EPGS, incorporate a more complex assembly in which both a CSD and a generator are present, there is a potential for classification of CSD parts as generator parts, thereby depriving those parts of their duty free treatment. A duty suspension for generator parts will ensure that all of Sundstrand's electrical generation system parts are treated equally for purpose of duty calculations.

Third, under the current tariff schedules, unlike the provisions for complete generators (see HTS item 8501 and its subheadings), parts of generators are not eligible for duty free entry as parts certified for civil aircraft. As a result, the public is encouraged to import complete aircraft generators from abroad duty free while firms such as Sundstrand, which manufacture the complete generators in the United States of both foreign and imported components, bear the burden of duty payment on such components. In that sense, the law discriminates against United States producers in its present form. Therefore, in order to rectify this anomaly in the law, it is important that Congress enact this provision.

Finally, this temporary suspension would also support Sundstrand's ability to remain competitive worldwide. As more and more corporate entities become involved in the aerospace industry, and as new and more efficient technologies are developed, the ability to compete on a global basis has become more of a challenge. This is particularly the case for a company like Sundstrand which specializes in a select few component parts for aircraft. The relevant duty rate, 3.0% for HTS item 8503.00.60.40, while relatively small in percentage, does impact on the cost of production incurred by Sundstrand in generating complete speed changers. Further, because it impacts upon a proportionately large percentage of Sundstrand's total entries, the effect of duty suspension is greater for Sundstrand than for other aerospace manufacturers. As a result, this suspension would play a significant role in assisting Sundstrand in maintaining its competitive position in the marketplace.

Furthermore, this temporary suspension would also benefit the end users of Sundstrand's products. Because Sundstrand would incur lower production costs, the price at which Sundstrand would sell its merchandise would be reduced. This, in turn, would benefit not only Sundstrand's customers but also the public at large through its purchases of commercial air travel. As a result, an economic benefit would be derived by all involved.

Finally, because of the use on aircraft designation embodied in this legislation, the impact of temporary duty suspension for parts of generators for use on aircraft could be broad-based. However, although the proposed legislation does potentially enable a large group of importers (i.e., aircraft manufacturers) to benefit from this provision, the net effect will be a greater duty savings for the aerospace industry which, in turn, will reduce costs and, as noted above, benefit the end users of these products. Further, this duty suspension will also allow the aerospace industry to better maintain its leadership position in the increasingly competitive global environment in which it operates.

As a result of these benefits, Sundstrand Corporation requests that legislation be enacted that provides for the duty suspension for parts of generators for use on aircraft (provided for in subheading 8503.00.60.40) retroactive to entries made on or after January 1, 1989 through and including December 31, 1992.

H.R. 1895

To suspend temporarily the duty on parts of speed changers for hydromechanical transmissions for use on aircraft.

No statements submitted.

H.R. 1896

To provide separate subheadings in the Harmonized Tariff Schedules of the United States for certain gloves, mittens and mitts, specially designed for use in sports.

American Ski Federation
207 Constitution Avenue, N.E.
Washington, D.C. 20002

202/543-1595

Representing the Interests of American Skiing

May 26, 1989

Honorable Dan Rostenkowski
Chairman, Ways and Means Committee
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter of May 9, 1989. HR 1984 and HR 1985 which Congressman Skaggs introduced attempts to resolve inadvertant and excessive duty increases which ski racing apparel and gloves designed for use in sports have under the new Harmonized tariff. Congressman Norm Minetta introduced HR 1942 which addresses protective sports articles, similar to HR 1984 and Congressman Dannemeyer introduced HR 1896 which attempts to solve the problem with gloves designed for use in sports similar to HR 1985. These bills attempt to resolve the same problems. We support all efforts to create a duty neutral conversion.

HR 1984 and HR 1942 - Protective Ski Racing Apparel

Under the former Tariff Schedule of the United States, a number of protective ski racing ski pants, jackets, and sweaters were imported as ski equipment at a 5.5% duty rate. These padded garments, which are not produced domestically, are worn by ski racers to protect them from collisions of all sorts. These garments are not worn by recreational skiers, only racers because they are uncomfortable because of all the extra plastic and rubber padding. Under the new Harmonized Tariff Schedule "sports clothing" was specifically excluded from Chapter 95 of the HS, the chapter which includes sports equipment. These protective ski products must now be imported under the textile Chapters 61 and 62 at a duty rate exceeding 20% and subject to quota. This 15% increase has already caused one of our member U.S. companies to go out of business.

Congressman Skaggs bill, HR 1984, attempts to resolve the problem by adding one U.S. Note to Chapter 95 allowing these protective sports garments to be included in Chapter 95. This proposal would work well for us and seems to be an easy solution. There is a second proposal which would also solve the problem. The second bill, introduced by Congressman Mineta addresses the same issue. HR 1942 proposes that a U.S. Note be added to the woven Chapter 62. This solution would also work well for us except that we also need a U.S. note added to chapter 61, the knit chapter, because a number of our protective garments are knit and being imported at HS 6110.10.20.

The Chapter 61 note could read identically to the proposed 62 note.

> As follows: by inserting after additional U.S. Note 1 the following:
>
> 2. For purposes of subheadings 6110.10.20, the term protective sports sweaters mean textile articles which because of their design, fabric, construction and special features provide protection to an athlete participant against the hazards of a sport such as injury from blows, falls, flying object, road burns, or fire.
>
> by inserting after subheading 6110.10.10:

6110.10.15	Protective sports sweaters and similar articles	5.5%

HR 1942 would resolve our problem if this additional U.S. Note could be added to chapter 61.

HR 1985 and HR 1896 - Gloves Designed for Use in Sports

The American Ski Federation supports both the efforts of Congressman Skaggs and Congressman Dannemeyer resolving the sports glove inconsistency. The Skaggs bill has a typo in it, where it reads 6616.20 it should read 6116.20, regardless of this, the Dannemeyer bill, HR 1896 has a few more classification lines included which would add some flexibilty and work well for our industry, although at a 5.5% duty rate rather than the more appropriate 4.9% duty rate, the same as under the TSUSA.

The language in both bills parallels the language leather Chapter 42. Under the TSUSA, all sporting gloves except for ski, came in at the same 4.9% duty rate, not subject to quota. Under the HS, leather sporting gloves continue to be imported at a 4.9% rate but the textile sporting gloves were boosted to a 14% rate, and subject to quota. The Canadians and a number of other participating nations currently have a classfication line for gloves designed for use in sports in their textiles chapters.

In conclusion, the American ski industry believes that the absence of a classification line for protective racing ski pants, jackets, and sweaters in either the textile chapters or the equipment chapters was merely an oversight. We believe the same is true for gloves designed for use in sports. In both cases, the conversion of the Tariff Schedule of the United States to the Harmonized Schedule inadvertantly increased duty rates on ski racing apparel and gloves designed for use in sports substantially.

We know that Congress is trying to be equitable and implement a duty neutral conversion. The ski industry commends you in your efforts to accomplish this extremely difficult and complicated task. I look forward to hearing from you regarding these issues of utmost concern and importance to us. Thanks again to Mike Hickey who has been working diligently on these issues.

Sincerely,

Joseph T. Prendergast
President

Congress of the United States
House of Representatives
Washington, D.C. 20515

WILLIAM E. DANNEMEYER
39TH DISTRICT, CALIFORNIA

COMMITTEES:
ENERGY AND COMMERCE
JUDICIARY

May 26, 1989

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Committee on Ways and Means
1136 House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to urge the Subcommittee to favorably consider H.R. 1896, which I introduced to remedy a situation which I believe resulted from an oversight by the Administration in converting from the old tariff to the new Harmonized System (HS).

Prior to implementation of the HS on January 1, 1989, gloves designed for sports activities, regardless of composition, were classified by U.S. Customs as gloves specifically designed for use in sports, the duty on which was 4.9%. They were not subject to any textile or other quota. However, in converting to the HS, the responsible administrative agencies failed to separately provide for all sports gloves. Sports gloves constructed of plastic or leather were categorized but not those made of textiles -- other than ski and snowmobile gloves -- which continue to be dutiable at 4.9%. This discrepancy now results in textile-composition sports gloves being subject to duty rates from 10% to 25%.

I believe it is reasonable to maintain uniform treatment for all sports gloves, as was the case under the old tariff. Accordingly, H.R. 1896 would create separate subdivisions for other gloves, mittens, and mitts designed for use in sports in the HS chapters pertaining to textiles, where they can be separately classified and the same rate of duty applied as on other sports gloves.

Thank you for your consideration of this request.

Sincerely,

Bill Dannemeyer

William E. Dannemeyer
Member of Congress

WED:bn

WASHINGTON OFFICE: 2351 RAYBURN HOUSE OFFICE BUILDING, WASHINGTON, D.C. 20515, (202) 225-4111
DISTRICT OFFICE: 1235 NORTH HARBOR BOULEVARD, SUITE 100, FULLERTON, CA 92632, (714) 992-0141

LAW OFFICES
GEORGE R. TUTTLE
A PROFESSIONAL CORPORATION
1331 PENNSYLVANIA AVENUE, N.W., SUITE 1200F
WASHINGTON, D.C. 20004
TELEPHONE: (202) 662-7550
TELECOPIER: (202) 662-7551
TELEX: GRT 278631

GEORGE R. TUTTLE
IRVING W. SMITH, JR.*
DALE O. TORRENCE**
OF COUNSEL

*ADMITTED IN WISCONSIN
**ADMITTED IN NORTH CAROLINA

THREE EMBARCADERO CENTER
SAN FRANCISCO, CALIFORNIA 94111
TELEPHONE: (415) 986-8780
TELECOPIER: (415) 986-0908

505 CITY PARKWAY WEST
ORANGE, CALIFORNIA 92668
TELEPHONE: (714) 634-9278
TELECOPIER: (714) 634-8592

May 30, 1989

FILE REFERENCE NO.
1546

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
Room 1102 Longworth Building
Washington, D.C. 20515

Re: Comments in Support of H.R. 1896, to Provide Separate Subheadings in the Harmonized Tariff Schedules of the United States for Certain Gloves, Mittens, and Mitts, Specially Designed For Use in Sports.

Dear Mr. Leonard:

We wish to submit the attached in support of this bill.

We would like to emphasize that prior to adoption of the HTS all sports gloves were classified as sporting equipment and took 4.9% duty. In converting to the HTS special subheadings were created for sports gloves of plastics, sports gloves of leather and ski and snowmobile gloves of textiles, with duty from 4.9 to 5.5%. However, sports gloves of textile materials, other than ski and snowmobile gloves, ended up in various tariff categories at duty rates of 10% in two categories and 25% in four categories, depending upon whether knit or not knit and the material of which they are made. Thus, while all sports gloves were classified as sports equipment under the old tariff with duty from 4.9 to 5.5%, only those sports gloves of plastics or leather and ski and snowmobile gloves were carried over on a rate neutral basis. HR 1896 would make the conversion from the TSUS to the HTS completely rate neutral as directed by the President in his letter of August 24, 1981, to the ITC.

We assume that there is some domestic production of these gloves but have not been able to determine if, where or in what quantities. There is such a variety, e.g. scuba diving gloves, wind-surfing gloves, racing gloves, hang-glide gloves, water ski gloves, handball gloves, weight lifting gloves, skateboarding gloves, etc., that it will be hard to identify and total them.

Thank you for your consideration of our position and if we can provide further information please let us know.

Very truly yours,

Law Offices of
GEORGE R. TUTTLE, P.C.

By: Dale O. Torrence
Dale O. Torrence

DOT/jlf
Enclosures
WP*HR1896.LTR

ATTACHMENT

BACKGROUND TO H.R. 1896

A. The Problem

Mr. David C. Frey, President of DFI of Santa Ana, California, has been importing sports gloves such as ski gloves, skateboarding gloves, wind surfing gloves, scuba diving gloves, etc. for several years. Last year his imports of these products exceeded $200,000 and this year he expects his imports to increase around $400,000.

Prior to January 1, 1989, gloves specially designed for use in sports was a separate category for gloves and the rate of duty was usually 5.5%. The separate categories were maintained, as was the lower rate of duty, for plastic or leather gloves and ski and snowmobile gloves of textiles. But, the separate category for sports gloves of textiles, other than ski and snowmobile gloves, was not carried over into the new tariff and the rate of duty was significantly increased in what should have been a rate neutral conversion.

B. The Products

The products are protective sports gloves other than ski or snowmobile gloves designed specifically, with protective features and construction, to protect participants in sporting activities. They are readily identifiable because of their design and construction as not being fashion or normal wear gloves. They may be made of plastics, rubber, leather or textiles (knit or woven) or combinations thereof.

C. How the Problem Came About

For many years U.S. Customs classified all sporting gloves, mittens and mitts as sporting equipment in the old tariff (Tariff Schedules of the United States-TSUS) regardless of composition. When the Harmonized Tariff Schedules of the United States (HS) was implemented on January 1, 1989, as part of the Omnibus Trade Bill (PL 100-418, the new tariff, based on new principals and concepts of classification, provided for sporting gloves in the various chapters of the HS according to the material of which they are made. For example, gloves of plastic specially designed for use in sports are provided for in Chapter 39 and leather gloves specially designed for use in sports are provided for in Chapter 42. These chapters cover the sports gloves regardless of which sport they are to be used in as long as they are made of plastics or leather.

However, when it came to providing for sports gloves of textile materials only ski and snowmobile gloves were provided for; all other sports gloves of textiles falling into an "other" category and subject to a duty increase of not less then 100% and in most instances more than 500%. Thus, in the "rate neutral" conversion from one tariff to another all gloves specially designed for use in sports were moved, on a rate neutral basis, from the old TSUS provision into their appropriate chapters and individual subheadings in the HS except for sports gloves of textiles which were dumped into basket categories at significantly higher rates of duty.

D. The Solution

It was originally thought by not only our client but by the Government agencies dealing with the tariff conversion that there would be authority in the legislation implementing the new tariff to administratively correct situations such as that which Mr. Frey is facing or that the implementing legislation would authorize technical amendments for this purpose but such was not the case. Therefore the only remedy now available is legislation.

The proposed legislation creates unique subheadings for the products in question, provides equal treatment for all sports gloves, and restores the rate of duty which the products took under the old tariff and should be given under the new tariff.

H.R. 1897

To extend the temporary suspension of duty on fresh cantaloupes imported between January 1 and May 15 of each year.

Statement of the

Texas Citrus and Vegetable Import Association to the

Committee on Finance,

in Favor of Enactment of H.R. 1897

My name is Leonard Lehman. I am a member of the firm of Barnes, Richardson & Colburn, 1819 H Street, N.W., Washington, D.C. I represent the Texas Citrus and Vegetable Import Association, on whose behalf I am submitting the following statement in support of enactment of H.R, 1897, a bill to provide duty-free status for fresh cantaloupes imported during the period from January 1 through May 15, inclusive, through calendar year 1992 and to propose amending H.R. 1897 to provide permanent duty-free status for such Importations. The present suspension of such duties expires in 1990.

I. The Purpose of the Bill:

This bill was introduced to rectify the heavy burden imposed on such imports by the 35 percent ad valorem rate normally applicable pursuant to the Smoot-Hawley Tariff Act of 1930.

There is no domestic production during the January 1 - May 15 period. Accordingly, the existing tariff provides no protection to a domestic industry or to farmers. The sole effect of the statutory, 35 percent ad valorem rate is to penalize consumers, and those firms and workers engaged in the handling, transportation, and distribution of this produce at a time when no domestic supplies are available.

II. Background

A. The U.S. Growing Season

Cantaloupes, a perishable product, are produced extensively throughout the United States during the hot summer months. None are grown in the winter months specified in the bill. Nearly all summer output in the U.S. is for local consumption in the areas in which the crop is grown. Although there is limited production in the Southwestern United States (mainly in Texas and Southern California) in the late fall, there is no domestic production during the U.S. winter season. All available supplies during this period (January 1 - May 15) are from imports and the great bulk of supplies during this period are from Mexico (See tables attached).1/

As the domestic product begins to appear on the market by mid-May, the imports virtually cease. Once American supplies are available, the imports are no longer able to compete because of disadvantages resulting from the longer freight hauls, the costs of refrigeration other expenses of importing and distributing the product from foreign sources, and the overall efficiency of American growers. Accordingly, it is clear that the imports during the January 1 - May 15 period covered by the bill cause no harm to any domestic producing interest.

1/ Commercial market shipments in the United States from domestic production virtually cease the last week of December and are not resumed until mid-May when volume production again commences in Texas and California. Accordingly, all available supplies of fresh cantaloupes during the period January 1 through May 15 are supplied almost entirely by imports - mainly from Mexico.

B. The Bills Providing for Previous Suspensions Limited the Imports to Non-Growing Seasons in the U.S.

Because of the foregoing conditions, legislation was introduced in 1982 for the temporary suspension of the 35 percent ad valorem rate on fresh cantaloupes during the season when there is no domestic production. The bill was enacted by the Congress and became effective January 1, 1983. It expired May 15, 1985, but was subsequently extended continuously to shipments imported through 1990 by sections 1804(a)(1) and 1831 of Public Law 100-418.

The primary reason for the previous bills was to provide an opportunity to evaluate the domestic effect of duty-free importation of this product. Nothing has occurred since 1983 to alter the original judgment that duty suspension does not adversely affect any U.S. producing interests.

Imports from Mexico occur in very small amounts in November, at which time production in the Southwestern United States, the only domestic source at that time of the year, rapidly disappears because of adverse weather that makes domestic production impossible. Because of this small, insignificant overlap in November and December, however, H.R. 1897 does not seek to have the suspension period begin before the beginning of the calendar year. After January 1, however, there are no shipments of U.S. origin. Prior legislation providing for temporary duty suspension called for the end of duty-free treatment in mid-May, when domestic climatic conditions enable U.S. growers to resume production and shipment. That same terminal date is envisaged in the new bill.

As the attached tables 2 and 3 show, shipping patterns have continued without change under the current suspension. From January 1 to May 15, there is virtually no domestic supply because weather conditions prohibit the production of this crop during that period. Imports still virtually cease when the early spring crop from U.S. sources first appears.

Accordingly, the continued duty-free treatment of imported fresh cantaloupes during the period January 1 - May 15 of each calendar year is fully justified. This would benefit consumers and all those whose livelihood is associated significantly with the importation, distribution and retail sale of these products. On the other hand, all these sectors of the U.S. economy clearly would be disadvantaged if the 35 percent duty were reimposed. The fact that American agriculture would not be injured by this measure is best indicated by the realization that most of the cantaloupe importers have as their major business the production of cantaloupes in the United States when this product is in season. When American cantaloupes are ready for the market the importations cease.

C. American Consumers Will Benefit from Duty-free Cantaloupe Importation During Periods when There is No Competitive Production in the United States.

According to Bureau of Census Statistics, the customs value of U.S. imports of cantaloupes from Mexico during January 1 - May 15, 1988 (the annual period specified in the Bill) was approximately $14,365,000. This was equivalent to about 80 percent of the volume of total imports from all countries.2/

2/ Compiled from official Department of Commerce Monthly Statistics (IM 146), May figures estimated through May 15th.

(continued...)

The added cost of the 35 percent rate on the imports from Mexico would have been $5,027,750 in 1988 ($14,365,000 x 35 percent ad valorem). The great bulk of this added cost burden would be borne directly by the many U.S. concerns engaged in the importation and clearance of these products at Texas Customs facilities, which account for nearly all of the imports in question. At the consumer level, the additional cost is many times greater than the duty that would be paid on the imports at the border.

Each transaction after the importation of the cantaloupes (whether involving an actual sale or a commission arrangement) is based on the invoice value of the merchandise at the time of each subsequent, successive transaction. Thus, the added duty becomes a built-in cost-multiple each time the merchandise changes hands prior to the final sale to the customer.

To compute the added cost of the 35 percent duty to the consumer, therefore, one must factor in the 35 percent duty as a component of the value of the merchandise on each commercial transaction, or turnover, after the importation. Assuming a 50 percent mark-up over the Customs value at retail, the total cost to the consumer would be roughly $7,541,625 (5,027,750 x 1.50).

This added cost is wholly unjustified, as U.S. climatic conditions preclude the commercial growth of cantaloupes in the U.S. during the season covered by the Bill.

The duty thus serves only to burden the U.S. businesses and consumers, with a substantial added cost having no useful protective purpose of incidence. In addition, short-term extensions of this non-controversial duty treatment, in lieu of permanent legislation, burdens Congressional members and their staffs without justification.

III. Conclusion.

A certain, and significant, inequity would arise if the temporary suspension were not at least continued beyond 1990 on cantaloupe imports from Mexico. That country continues to be by far the leading source of cantaloupe imports -- notwithstanding the duty-free status of the imports from the other countries under the aegis of the dual GSP/CBERA programs.

As indicated, this legislation would confine the duty-free status to imports (mainly from Mexico) solely during the period (January 1 - May 15) when there are no domestic products on the market. In contrast, the growing seasons in the other Caribbean area countries are longer so that there is more overlap between the importations from these countries and U.S. output than there is from the growing areas of Mexico that are involved. Thus, while the proposed legislation for the Mexican shipments proscribes any tariff relief only when there is some domestic production and shipment, other countries under the GSP or the CBERA programs can ship when there is U.S. production. If there is a competitive disadvantage to U.S. growers, it arises from GSP and CBERA, not from the existing temporary suspension or the

---

2/ (...continued)
In contrast to the imports from other countries, virtually all of which are duty-free pursuant to the Generalized System of Preferences (GSP) or the Caribbean Initiative, the entries from Mexico would be dutiable at the Statutory Rate of 35 percent ad valorem absent this Bill. Mexico is ineligible for the benefits of the GSP and the CBI program.

proposed permanent legislation for the January 1 - May 15 shipments.

The proposed legislation would be of significant benefit to the border communities of the Southwest that derive income from the activities that surround the trade in question. It would benefit consumers throughout the country by the elimination of an egregiously high (35 percent) rate of duty at a time when there is no domestic competition. Moreover, it should be recognized that the original impetus of this trade was, and continues to be, in very significant part, the ingenuity of domestic growers who developed the Mexican operation as a source of supply for U.S. consumers during those months when no U.S. production is possible because of domestic climatic conditions.

The bill would not erode the benefits that accrue to other countries under the GSP or CBERA programs. Those countries enjoy a longer growing season than Mexico and the period of their duty-free treatment is not limited (as in this bill) to periods of non-production in the U.S.; those countries can ship free of duty all year, and are doing so at an increasing rate (see tables 1a and 1b). Moreover, they enjoy a significant freight cost advantage over Mexico. Nearly all of their produce moves by vessel. All of the Mexican produce is shipped overland in Mexico and the United States at a significantly higher level of overall freight cost.

In view of the non-controversial substantive nature of this bill's duty-free treatment, the Committee should consider amending H.R. 1897 to make permanent such treatment of cantaloupes imported between January 1 and May 15 in each year. The past seven years of such treatment have failed to raise substantive controversy over such treatment, and Congressional and staff time would be better utilized in the future if this subject did not require reconsideration every few years.

In summary, failure to enact this legislation would work a considerable hardship on those entrepreneurs, communities, shipping companies, wholesale and retail merchants, and others, who are engaged in, or who benefit economically from, the distribution of these products when there is no U.S. supply. It would be of significant benefit to consumers and those engaged in this trade. The bill is structured so that there will be no disadvantage to U.S. growers, and it should be enacted, either as permanent legislation or for a long extended period after 1990.

TABLE 1a

Fresh Cantaloupes: Total U.S. Imports For Consumption, All Seasons, Calendar Year Basis, 1983-1985

ITEMS 148.10, 148.12, & 148.17, T.S.U.S.)

(1000 Pounds)

	1983	1984	1985
Total, All Countries	166096.8	246668.1	246033.6
Mexico	153599.9	219811.8	195497.3
All Other	12496.9	26856.3	50536.3
Other major suppliers (ranked by the 1985 Calendar Year trade):			
Dom.Rep.	7961.9	22200.8	31368.6
Honduras	4062.5	3503.4	8756.2
Guatemala	0	565.8	3847.3
Panama	0	111.6	2608.0
Jamaica	39.6	80.9	1747.0
Salvador	0	48.4	541.6
Ecuador	2.6	0	304.5
Colombia	2.2	0	294.3
Venez.	23.6	69.3	232.8
C.Rica	185.9	64.1	66.9
Chile	130.8	129.2	16.5
Haiti	0	35.0	15.4
Belize	0	43.9	0.0

Source: Compiled from Official Statistics of the U.S. Department of Commerce (Im 146)

Note: Prior to 1989, entries during 8/1-9/15, any calendar year, were covered by item 148.10; those during December and January-March by 148.12; and those during 9/16-11/30 and 4/1-7/31 by item 148.17, Tariff Schedules of the United States.

TABLE 1b

Fresh Cantaloupes: Total U.S. Imports for Consumption, All Seasons, Calendar Year 1988

(Items 148.10, 148.12, & 148.17, T.S.U.S.)

(1000 Pounds)

Total, All Countries	327349.5
Mexico	228854.1
All Other	98495.4
Dom.Rep.	23806.1
Honduras	36629.1
Guatemala	22403.7
Panama	1866.0
Salvador	5423.2
Costa Rica	7290.9
Chile	6720.4

Source: Compiled from Official Statistics of the U.S. Department of Commerce (Im 146)

Note: Prior to 1989, entries during 8/1-9/15, any calendar year, were covered by item 148.10; those during December and January-March by 148.12; and those during 9/16-11/30 and 4/1-7/31 by item 148.17, Tariff Schedules of the United States.

TABLE 2

CANTALOUPES:
DOMESTIC COMMERCIAL SHIPMENTS
and
U.S. Imports from Mexico, by Month
1987-88 Season

(In Trucklots of 45,000 Pounds)

Month	Domestic				Imports from Mexico
	Ariz.	Calif.	Texas	Total Domestic	
Dec.	-	-	-	-	443
Jan.	-	-	-	-	508
Feb.	-	-	-	-	587
Mar.	-	-	-	-	1173
Apr.	-	-	-	-	1647
May 1-14	-	15	7	22	638

Source: Market News Branch, Fruits and Vegetable Division, United States Department of Agriculture.

TABLE 3

CANTALOUPS

WEEKLY CANTALOUP MOVEMENT

TRUCKLOTS (45,000 LBS)

(Includes Rail, Piggyback, Truck, Air, Boat, Export and Imports)

1987-1988 SEASON

WEEK ENDING	MEXICO IMPORTS THRU SO. TEXAS	OTHER MEXICO	ARIZONA	CALIFORNIA	TEXAS	TOTAL
Nov.						
7	-	10	6	276	-	292
14	6	19	1	182	-	208
21	7	47	-	88	-	142
28	26	50	-	1	-	77
Dec.						
5	62	32	-	-	-	94
12	68	34	-	-	-	102
19	92	28	-	-	-	120
26	92	35	-	-	-	127
Jan.						
2	104	22	-	-	-	126
9	94	9	-	-	-	103
16	89	8	-	-	-	97
23	72	19	-	-	-	91
30	73	18	-	-	-	91
Feb.						
6	67	24	-	-	-	91
13	108	44	-	-	-	152
20	114	42	-	-	-	156
27	143	45	-	-	-	188
Mar.						
5	193	59	-	-	-	252
12	222	72	-	-	-	294
19	208	69	-	-	-	277
26	276	74	-	-	-	350
Apr.						
2	225	111	-	-	-	336
9	191	81	-	-	-	272
16	128	80	-	-	-	208
23	207	105	-	-	-	312
30	334	185	-	-	-	519
May						
7	180	206	-	-	-	386
14	117	113	-	15	7	252
21	69	71	-	212	132	484
28	11	31	2	737	1276	2057
June						
4	-	1	33	738	2045	2817
11	-	33	98	746	1484	2361
18	3	75	239	730	335	1382
25	2	62	299	807	243	1413
July						
2	3	56	603	1063	224	1948
TOTAL	3585	1970	1281	5595	5746	18177

FIGURES ARE FINAL THROUGH APRIL - PRELIMINARY FOR REST

SOURCE:- U.S. DEPT OF AGRICULTURE

H.R. 1898

To suspend temporarily the duty on garments specially designed for handicapped persons who are not ambulatory.

STATEMENT OF THE HONORABLE PETER DEFAZIO
MAY 31, 1989
HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

Mr. Chairman, I appreciate this opportunity to discuss a bill I introduced earlier this year. H.R. 1898 temporarily suspends the duty on garments specially designed for handicapped persons who are not ambulatory.

In June of 1984, the Congressional Research Service prepared a comprehensive report on persons with disabilities. The Digest of Data on Persons with Disabilities analyzed 1979-1980 information. According to CRS and the National Center for Health Statistics, this is the most recent data available.

During the time period 1979-1980, there were 18.4 million people with deformities or orthopedic impairments, 1.6 million were missing extremities or parts of extremities and 1.2 million were completely or partially paralyzed. In addition, other chronic conditions contribute to functional limitations, such as arthritis which affected 26.8 million people in the general population (over 50% of senior citizens had arthritis).

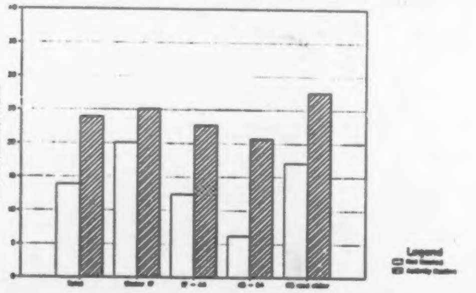
A disproportionate number of these disabled Americans fall below the poverty line. Again, according to the 1984 report:

> "*Low income was substantially more common among persons with chronic activity limitations than among the total population in 1979-1980. Although 15.4% of all persons were from low income families, nearly 24% of persons with an activity limitation were from low income families.
>
> *Among persons with activity limitations, the proportion with low income rose with the degree of activity limitation. Persons who could perform their usual activity but were limited in outside activities had a 17% chance of being in a low-income family. Person partially limited in the performance of their usual activity had a 24% chance and persons who could not perform their usual activity had a 31% chance of living in a low income situation."

Please note that all of the above figures relate only to noninstitutionalized persons. A recent publication of Vital and Health Statistics (Series 13, Number 97) estimated that in 1985 1.3 million seniors were living in nursing homes. Of this amount, over 700,000 were functionally limited.

Mr. Chairman, I would also like to include for the record a graph from the 1984 report that illustrates the income differential for civilian nonistitutionalized activity limited Americans.

Rate of Low Income Among Persons
By Activity Limitation and Age. 1979–1980



As the Subcommittee can see, disabled Americans have significantly less discretionary income than able-bodied people to spend on clothes and other necessities.

Mr. Chairman, this is also a question of quality of life. The type of clothing covered by this legislation would provide comfortable and attractive clothing to people in wheelchairs. Traditional clothes are not made to fit people who are not ambulatory. In addition, they are not easy to get in to or out of if one is confined to a wheelchair.

I recently received several letters from people in my district about this type of special clothing. Marie Walker of Sutherlin, Oregon, summarized the problem in a letter.

> "...My mother is now confined to a wheelchair in a nursing home. Prior to this, she lived for a time in my home so I have first-hand knowledge concerning the problems involved in finding suitable clothing. Suitable clothing at any price, but especially in a price range that many people like her, having only Social Security as income, can afford. Most clothing designed for regular use just is not suitable unless adjustments are made. The task of dressing is difficult but becomes even more so when buttons or zippers cannot be reached. Without special design much clothing for wheelchair patients is uncomfortable.
>
> "In my frequent visits to the nursing home I note the difference in comfort and appearance of people fortunate enough to be wearing clothing designed for their needs. It is most important for these people, like the rest of us, to look as well as possible..."

Sherry Stull Southerland of the Grandview Care Center in Roseburg, Oregon, also contacted me about affordable clothing for the chairbound.

> "...As Social Services Director I am responsible for making purchases for our handicapped residents and find it difficult to purchase quality clothing at a reasonable price. Approximately 63% of our population are on state assistance and receive only $30.00 per month for clothing and miscellaneous items not provided by state funding or the facility. One pair of trousers or a dress that is made of quality material to withstand required laundry temperatures of 160 degrees cost more that $30.00.
>
> "A high percentage of chairbound nursing home residents need seven changes of clothing, event he cheapest outfit will cost at least $25.00 and will need to be replaced every six to eight months..."

Mr. Chairman, I also received a letter from Lee Winters of Roseburg, Oregon.

> "...For the past year I have been employed by Wheelies Bentwear, a business that makes and sells clothing designed for wheelchair people. Since it is a small company I work in many areas so I am knowledgeable of the production, selling and the business part of the operation. Through our marketing efforts we find many people are just not able to afford the clothing though we have kept the prices down as low as we possibly can.
>
> "We pay only minimum wage to most of our employees, shop very carefully for fabrics and supplies, practice every economy possible yet we cannot lower the price any further and stay in business. For example, our present price for a wheelchair dress is $28.00. We would like to produce a dress for a retail price of $16.00. This is the cost that we are told by nursing home administrators would be more realistic for most of their patients..."

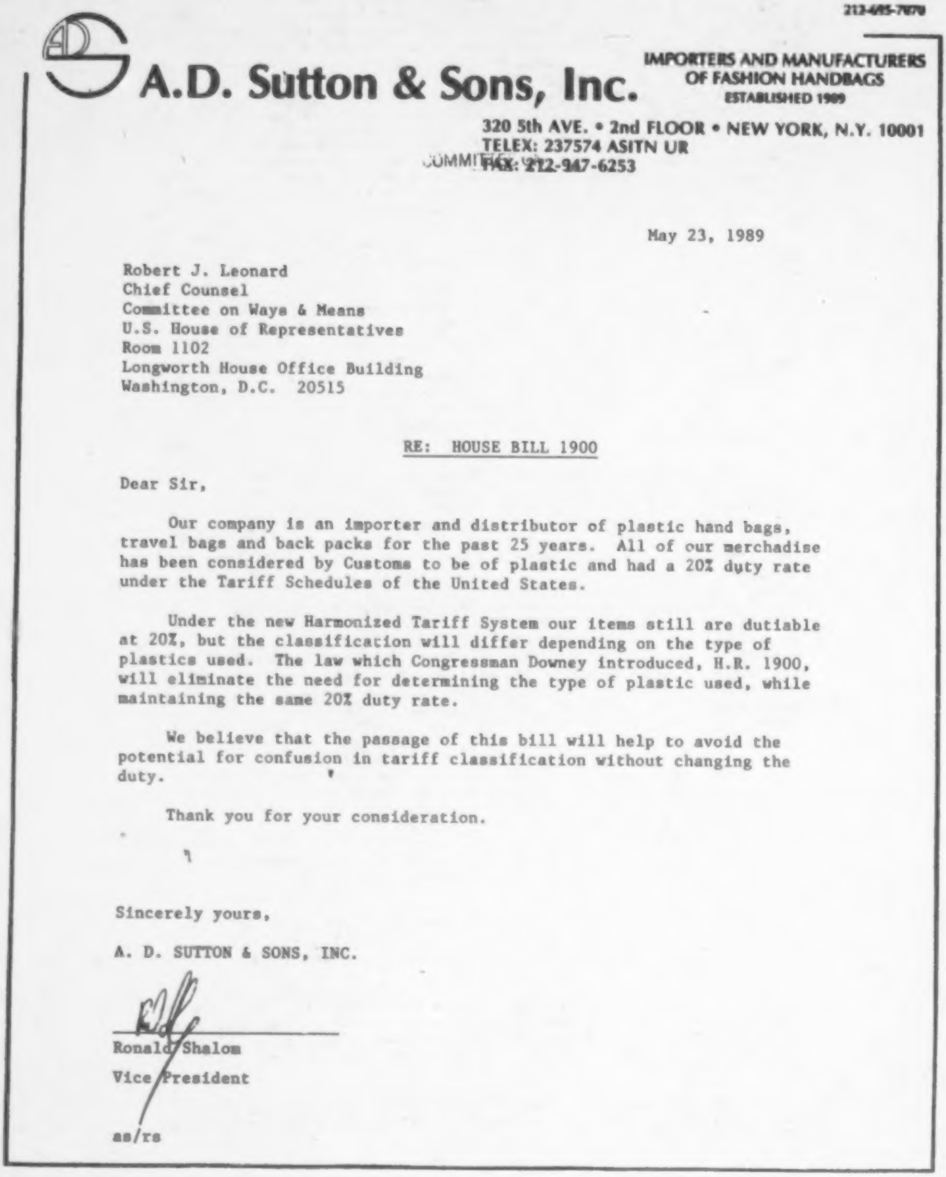
My bill temporarily suspends the duty for this special category. A temporary change would allow Congress the flexibility to review this provision should the current situation change in the near future.

Mr. Chairman and Members of the Subcommittee, we have an opportunity today to provide millions of low income Americans with affordable clothing designed to meet their special needs. I urge the Subcommittee to include H.R. 1898 in the 1989 omnibus committee legislation.

Thank you for your attention to this request. I am available to answer any questions that the Subcommittee might have on this issue.

H.R. 1900

To add an additional U.S. note to chapter 42 of the Harmonized Tariff Schedule of the United States.



212-695-7070

A.D. Sutton & Sons, Inc.

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May 23, 1989

Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

RE: HOUSE BILL 1900

Dear Sir,

Our company is an importer and distributor of plastic hand bags, travel bags and back packs for the past 25 years. All of our merchandise has been considered by Customs to be of plastic and had a 20% duty rate under the Tariff Schedules of the United States.

Under the new Harmonized Tariff System our items still are dutiable at 20%, but the classification will differ depending on the type of plastics used. The law which Congressman Downey introduced, H.R. 1900, will eliminate the need for determining the type of plastic used, while maintaining the same 20% duty rate.

We believe that the passage of this bill will help to avoid the potential for confusion in tariff classification without changing the duty.

Thank you for your consideration.

Sincerely yours,

A. D. SUTTON & SONS, INC.

Ronald Shalom
Vice President

as/rs

AFTAC AMERICAN FIBER, TEXTILE, APPAREL COALITION

1801 K STREET, N.W., SUITE 900, WASHINGTON, D.C. 20006 (202)862-0500

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1136 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 10 dated May 3, 1989. The American Fiber, Textile, Apparel Coalition (AFTAC) is a broad based coalition which includes 21 organizations representing industry and labor producing most of the fibers, fabrics, home furnishings, industrial textiles and apparel made in the United States.

AFTAC opposes H.R. 1900, legislation to add an additional U.S. note to Chapter 42 of the Harmonized Tariff Schedule.

Members of AFTAC make fabrics which are coated for industrial uses. Moving imported coated fabrics from Chapters 56 and 59 to 42 of the Harmonized Tariff Schedule and claiming that these fabrics are not "textile materials" would only serve to circumvent bilateral textile restraint agreements and undermine the textile import restraint program conducted under the auspices of the Multifiber Arrangement.

Amalgamated Clothing & Textile Workers Union

American Apparel Manufacturers Association

American Textile Manufacturers Institute

American Yarn Spinners Association

Carpet & Rug Institute

Clothing Manufacturers Association of America

Cordage Institute

Industrial Fabrics Association International

International Ladies' Garment Workers Union

Knitted Textile Association

Luggage & Leather Goods Manufacturers of America

Man-Made Fiber Producers Association, Inc.

National Association of Uniform Manufacturers

National Cotton Council of America

National Knitwear Manufacturers Association

National Knitwear & Sportswear Association

National Wool Growers Association

Neckwear Association of America

Northern Textile Association

Textile Distributors Association, Inc.

Work Glove Manufacturers Association

This bill also violates U.S. Customs rules based on the principle of "essential character" which states that a product shall be classified based upon its "essential character", or that characteristic which dominates its makeup. A piece of fabric, covered with an opaque coating, which is responsible for 10 percent of the weight of the product, derives its "essential character" from its fabric component and as such is classified by Customs as a textile product.

Thank you for your time and consideration on this matter.

Sincerely,

Robert Blanchard ca

Robert Blanchard
Chairman

RB\vab

AFTAC AMERICAN FIBER, TEXTILE, APPAREL COALITION

1801 K STREET, N.W., SUITE 900, WASHINGTON, D.C. 20006 (202)862-0500

June 13, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
House Ways & Means Committee
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

In a May 31 letter to you in response to your request for comments on certain tariff and trade bills, as announced in Committee Press Release #10, the American Fiber, Textile, Apparel Coalition (AFTAC) stated our opposition to H.R. 1900, a bill to add an additional U.S. headnote to Chapter 42 of the Harmonized Tariff Schedule of the United States.

After meeting with the author of the legislation, AFTAC has decided to withdraw our objection assuming that the following technical amendment is incorporated in the bill:

> On page 2, line 3, replace the word "fabric" with the word "article".

This change is supported by the bill's sponsor.

Thank you for allowing AFTAC to revise our comments on H.R. 1900, and we would ask that this letter be made a part of the record.

Sincerely,

Robert Blanchard

Robert Blanchard
Chairman

RB/rfd

Amalgamated Clothing & Textile Workers Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet & Rug Institute
Clothing Manufacturers Association of America
Cordage Institute
Industrial Fabrics Association International
International Ladies' Garment Workers Union
Knitted Textile Association
Luggage & Leather Goods Manufacturers of America
Man-Made Fiber Producers Association, Inc
National Association of Uniform Manufacturers
National Cotton Council of America
National Knitwear Manufacturers Association
National Knitwear & Sportswear Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association, Inc
Work Glove Manufacturers Association

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20510

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 10 dated May 3, 1989. The American Textile Manufacturers Institute (ATMI) represents members which account for over 80 percent of all U.S. textile production.

ATMI opposes H.R. 1900, legislation to add an additional U.S. note to Chapter 42 of the Harmonized Tariff Schedule.

Our members make fabrics which are coated for industrial uses. Moving imported coated fabrics from Chapters 56 and 59 to 42 of the Harmonized Tariff Schedule and claiming that these fabrics are not "textile materials" would only serve to circumvent bilateral textile restraint agreements and undermine the textile import restraint program conducted under the auspices of the Multifiber Arrangement.

This bill is also violative of Customs Rules and the principle of "essential character" which states that a product shall be classified based upon its "essential character", or that characteristic which dominates its makeup. A piece of fabric, covered with an opaque coating, which is responsible for 10 percent of the weight of the product, derives its "essential character" from its fabric component and as such must be classified as a textile product.

Thank you for your time and consideration on this matter.

Sincerely,

Carlos Moore
Carlos Moore
Executive Vice President

CM\vab

Tel: 202/862-0500 Fax: 202/862-0570 Twx: 710-822-9489

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

June 13, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
House Ways & Means Committee
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

In a May 31 letter to you in response to your request for comments on certain tariff and trade bills, as announced in Committee Press Release #10, the American Textile Manufacturers Institute (ATMI) expressed opposition to H.R. 1900, a bill to add an additional U.S. headnote to Chapter 42 of the Harmonized Tariff Schedule of the United States.

After meeting with the author of the legislation, ATMI has decided to withdraw our objection assuming that the following technical amendment is incorporated in the bill:

> On page 2, line 3, replace the word "fabric" with the word "article".

This change is supported by the bill's sponsor.

Thank you for allowing ATMI to revise our comments on H.R. 1900, and we would ask that this letter be made a part of the record.

Sincerely,

Carlos Moore
Carlos Moore
Executive Vice President

CM/rfd

CRAFTED WITH PRIDE IN U.S.A.

Tel: 202/862-0500 Fax: 202/862-0570 Twx:710-822-9489

Bagland

May 30, 1989

Robert J. Leonard,
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longdworth House Office Building
Washington, D.C. 20515

Re: H.R. 1900

Dear Sir:

Our company is an importer and distributor of plastic handbags and luggage. For the past 5 years all of our merchandise has been considered by Customs to be of plastic and had a 20% duty rate under the Tariff Schedules of the United States.

Under the new Harmonized Tariff System our items still are dutiable at 20%, but the classification will differ depending on the type of plastic used. The law which Congressman Downey introduced, H.R. 1900, will eliminate the need for determining the type of plastic used, while maintaining the same 20% duty rate.

We believe that the passage of this bill will help to avoid the potential for confusion in tariff classification without changing the duty.

Thank you for your consideration.

Sincerely,
BAGLAND

Joey Chehebar
Vice President

CORPORATE OFFICES • 55 CARTER DRIVE • EDISON, N.J. 08817 • (201) 985-8383

Baronet Accessories®

May 25, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: House Bill 1900

Dear Sir:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under Heading 4202 of the Harmonized Tariff System.

Our company imports and sells plastic (PVC - poly vinyl chloride) handbags and small leather goods, and we employ approximately 100 people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20%, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the bag is made from.

Since there will be no adverse duty affect, we urge that this bill be passed.

Thank you for your assistance.

Sincerely,

Richard Goldinger
President

RG/efg

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International

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NEWJERSEY

MAY 24, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

RE: House Bill 1900

Dear Mr. Leonard:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flat goods will be classified as plastic articles under Heading 4202 of the Harmonized Tariff System.

Our company imports and sells plastic coated handbags, travel bags, and flat goods, and we employ approximatly 175 people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20%, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the bag is made from.

Since there will be no adverse duty affect we urge that this bill be passed.

Thank you for your assistance.

Sincerely,
BONNIE INTERNATIONAL

Richard G. Bevere
RICHARD G. BEVERE
VICE PRESIDENT

Dallas
Handbag
Company

12222 No. Central Expressway • Dallas, Texas 75243 • (214) 234-5026
P.O. Box 31002 • Dallas, Texas 75231

May 24, 1989

Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: H.R. 1900

Dear Sir,

Our company is an importer and distributor of plastic handbags and accessories. For the past twenty-five plus years all of our merchandise has been considered by Customs to be of plastic and had a 20% duty rate under the Tariff Schedules of the United States.

Under the new Harmonized Tariff System our items still are dutiable at 20% but the classification will differ depending on the type of plastic used. The law which Congressman Downey introduced, H.R. 1900, will eliminate the need for determining the type of plastic used, while maintaining the same 20% duty rate.

We believe that the passage of this bill will help to avoid the potential for confusion in tariff classification without changing the duty.

Thank you for your consideration.

Sincerely,

Scott Lide
Scott Lide
VP Finance

SL/sk

Dova

DOVER HANDBAG CO., INC.

Factory: Netcong, N.J.

May 24, 1989

Robert J. Leonard,
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longdworth House Office Building
Washington, D.C. 20515

Re: H. R. 1900

Dear Sir:

Our company is an importer and distributor of plastic handbags. For the past nine (9) years all of our merchandise has been considered by Customs to be of plastic and has a 20% duty rate under the Tariff Schedules of the United States.

Under the new Harmonized Tariff System our items are dutiable at 20%, but the classification will differ depending on the type of plastic used. The law which Congressman Downey introduced, H.R. 1900, will eliminate the need for determining the type of plastic used, while maintaining the same 20% duty rate.

We believe that the passage of this bill will help to avoid the potential for confusion in tariff classification without changing the duty.

Thank you for your consideration.

Sincerely,
Dover Handbag Co., Inc.

Eric Sporn
President

Office & Showrooms
10 West 33rd St.
New York, N.Y. 10001
(212) 563-7055-6-7-8

Serko & Simon
Counsellors at Law
Customs & International Trade Law

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Telex: 426016 Trade   Cable: Trade Attys
Facsimile: 212-839-9103

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655 Fifteenth Street, N.W.
Washington, D.C. 20005 . 202-639-8017

Bank South Building . Suite 1400
Atlanta, Georgia 30303 . 404-659-8851

Banco de San Juan Building
Suite 302 . P.O. Box 3222
Old San Juan, P.R. 00904 . 809-723-3672

New York - May 30, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways & Means
U. S. House of Representatives
Room 1102 Longworth Office Building
Washington, D. C. 20515

Re: H. R. 1900 to add an additional U.S. note to Chapter 42 of the Harmonized Tariff Schedule of the United States

Dear Sir:

The Fashion Accessories Shippers Association, Inc., (FASA) appreciates the opportunity to express its views with respect to H. R. 1900, a bill introduced by Congressman Thomas J. Downey to add an additional U. S. Chapter note to Chapter 42 of the Harmonized Tariff Schedule of the United States.

We are Customs and International Trade Counsel to FASA and its 66 member companies. FASA members are importers and distributors of luggage, handbags, sport bags and travel bags. Our member firms employ an estimated 10,000 employees in the United States.

Our clients have long supported efforts to adopt the Harmonized Tariff Schedules which have improved and simplified the customs laws.

Accordingly we endorse and support H. R. 1900 as a technical amendment and we appreciate this opportunity to express our views concerning certain considerations of special interest to the members of this association.

The proposed bill, H.R. 1900, clarifies the classification of the category of merchandise imported by the members of the association such as handbags, brief cases, sport bags and travel bags made from plastic or plastic sheeting backed with fabric. The merchandise imported has been classified for the past 25 years under the provisions for plastic articles, as either handbags, luggage or flat goods depending on the type of item.

Our clients are in the business of importing handbags, brief cases, travel bags, wallets and cosmetic bags, many of which are of plastic material reinforced by a textile backing.

The proposed bill will continue the customs classification practice that has been in existence for twenty-five years.

In former Tariff Schedules of the United States, Headnote 5 of Schedule 3, directed the classification of any articles which are wholly or in part of a fabric coated or filled with plastic, to be classified as articles of plastic to the extent that the outer surface of the article, or only exposed surface of the material is plastic.

In submitting report No. 342, 89th Congress 1st Session, May 12, 1965, the House of Representatives found that plastic coated fabric was used to make handbags and luggage (and an extensive list of other products) so that if, the plastic-covered surface was the exposed surface, then the finished product had the character of a plastic article. The House Report stated, "The proposed amendment takes into account the consideration mentioned above that the textile characteristic of these fabrics may be completely lost in the final product."

The proposed bill H. R. 1900, will clarify and provide similar treatment to classifying all articles of Chapter 42, made of nontransparent plastic or rubber backed with fabric. Such articles will be classified as having an outer surface of plastic or plastic sheeting, regardless of whether the nontransparent plastic, is cellular or noncellular plastic.

This bill will insure and maintain that those items which have an outer surface of plastic, regardless of the form or type of plastic, should continue to be considered as plastic articles.

The present bill, H. R. 1900, is a remedial note to Chapter 42 of the HTSUS to insure that such items maintain their classification as being of plastic.

This clarification in the Chapter note will assure the members of our association that current tariff treatment of their items will remain unchanged while maintaining the current duty rate of 20%, and preclude unforeseen classification changes. We respectfully request an opportunity to appear at any legislative hearing concerning H. R. 1900.

For the foregoing reasons we respectfully request favorable consideration of the H. R. 1900 by this Committee.

Sincerely,

SERKO & SIMON

Joel K. Simon

JKS/mem

GANSON
H·A·N·D·B·A·G·S

May 31, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: House Bill 1900

Dear Sir:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under the Heading 4202 of the Harmonized Tariff System.

Our company imports and sells plastic Coated Fabric Handbags as well as PU Handbags and we employ 25 people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20%, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the handbag is made from.

Since there will be no adverse duty affect we urge that this bill be passed.

Thank you for your assistance.

Sincerely Yours,
GANSON LTD.

Jeremy Masson
President

JM/sl

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3-735-8308
FAX: 3-735-4681
TELEX: 49672 GEMFT HX

May 25, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee of Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Subject: H.B. 1900

Dear Mr. Leonard:

I am writing to you in support of House Bill 1900 introduced by Congressman Downey, which would clarify and simplify the plastic hand and travel bag item for classification with the U.S. Customs Service.

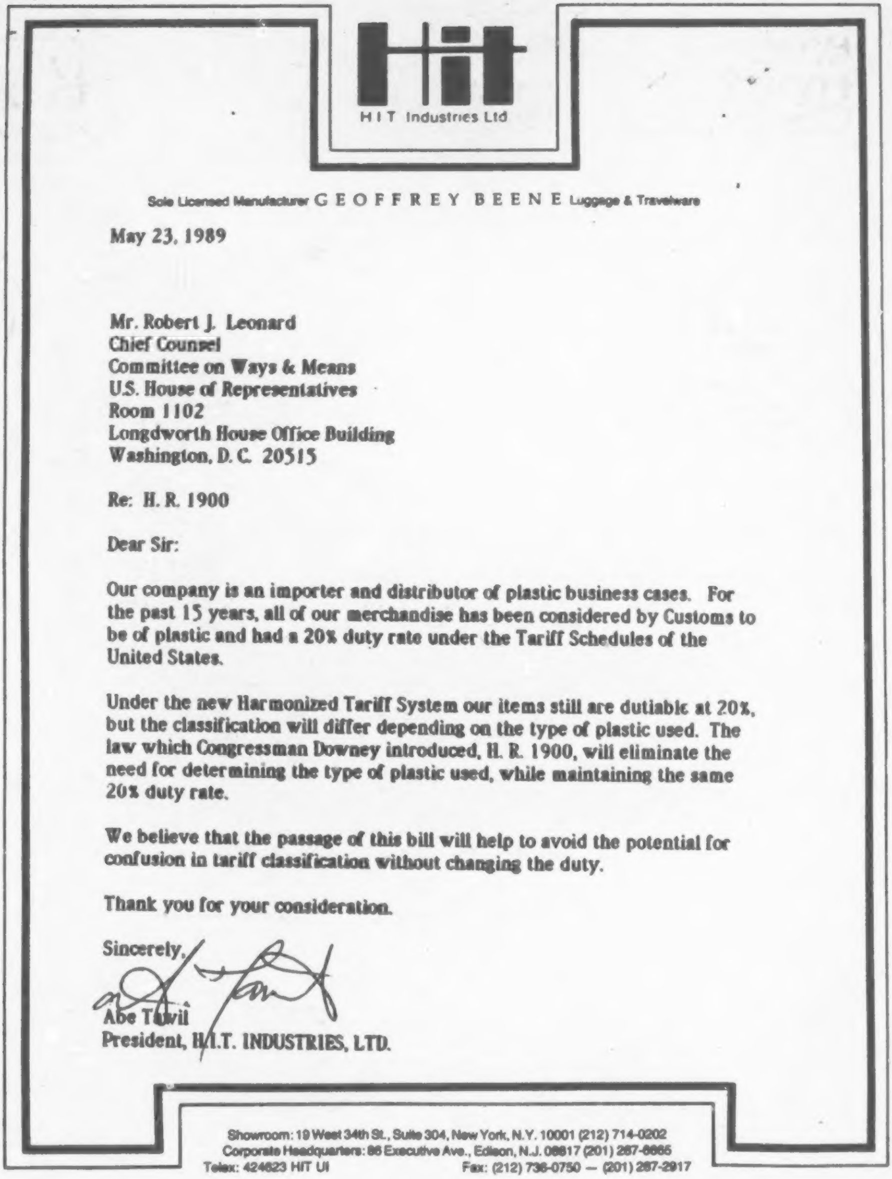
Our company has been an importer of this merchandise for the past 15 years, and in that time our merchandise was classified as an article of plastic under the tariff schedule of the United States (TSUS). Effective January 1, 1989 when the harmonized tariff system went into effect, the classification was based upon the type of plastic used.

The bill introduced would eliminate the need for determining the type of plastic used while maintaining the present 20% duty rate. This bill would speed up the process of clearing goods through U.S. Customs and would virtually eliminate any possibility of mis-classifying merchandise which would result in delays and hardship to our firm.

We, as a member of the importing community, strongly recommend passage of this bill.

Sincerely,

Samuel Isaacson
Chairman of the Board



HIT Industries Ltd

Sole Licensed Manufacturer GEOFFREY BEENE Luggage & Travelware

May 23, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longdworth House Office Building
Washington, D.C. 20515

Re: H. R. 1900

Dear Sir:

Our company is an importer and distributor of plastic business cases. For the past 15 years, all of our merchandise has been considered by Customs to be of plastic and had a 20% duty rate under the Tariff Schedules of the United States.

Under the new Harmonized Tariff System our items still are dutiable at 20%, but the classification will differ depending on the type of plastic used. The law which Congressman Downey introduced, H. R. 1900, will eliminate the need for determining the type of plastic used, while maintaining the same 20% duty rate.

We believe that the passage of this bill will help to avoid the potential for confusion in tariff classification without changing the duty.

Thank you for your consideration.

Sincerely,

Abe Tawil
President, H.I.T. INDUSTRIES, LTD.

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Corporate Headquarters: 86 Executive Ave., Edison, N.J. 08817 (201) 287-8665
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MAY 25, 1989

MR. ROBERT J. LEONARD
CHIEF COUNSEL
COMMITTEE ON WAYS & MEANS
U.S. HOUSE OF REPRESENTATIVES
ROOM 1102
LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

RE: HOUSE BILL 1900

DEAR SIR:

WE ARE WRITING TO YOU IN SUPPORT OF H.R. 1900, WHICH WAS INTRODUCED BY CONGRESSMAN DOWNEY, TO MAKE CLEAR THAT PLASTIC COATED HANDBAGS, TRAVEL BAGS, AND FLATGOODS WILL BE CLASSIFIED AS PLASTIC ARTICLES UNDER HEADING 4202 OF THE HARMONIZED TARIFF SYSTEM.

OUR COMPANY IMPORTS AND SELLS PLASTIC HANDBAGS AND WE EMPLOY FIFTY PEOPLE.

WE BELIEVE THAT THE PASSAGE OF H.R. 1900 WILL HELP TO AVOID POSSIBLE CONFUSION IN THE CLASSIFICATION OF OUR MERCHANDISE. IT WILL NOT CHANGE THE RATE OF DUTY, WHICH WILL STILL BE 20%, BUT WILL ALLOW ALL PLASTIC BAGS TO BE CLASSIFIED UNDER THE SAME TARIFF ITEM NUMBER REGARDLESS OF THE TYPE OF PLASTIC THE BAG IS MADE FROM.

SINCE THERE WILL BE NO ADVERSE DUTY AFFECT WE URGE THAT THIS BILL BE PASSED.

THANK YOU FOR YOUR ASSISTANCE.

SINCERELY,

Island Spun, Inc.
IMPORTERS

320 FIFTH AVENUE
NEW YORK CITY, N.Y.
10001-3102

New York, N.Y. May 31,1989

Mr. Robert J. Leonard
Chief Counsel
Comittee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington D.C., 20515

Re: House Bill 1900

Dear Sir:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under Heading 4202 of the Harmonized Tariff System.

Our company imports and sells plastic handbags and we employ twelve people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20%, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the bag is made from.

Since there will be no adverse duty effect we urge that this bill be passed.

Thank you for your assistance.

Sincerely,

ISLAND SPUN, INC.

Murray Cohen

Murray Cohen,
President

MC:ja

TELEPHONES (212) 695-1668 (212) 695-1669 FAX (212) 967-6587 TELEX "ISLANDSPUN" NEW YORK

LaTIQUE
INC
20 WEST 33RD STREET, NEW YORK, NEW YORK 10001 (212) 736-8080 TELEX# 422384

New York - May 19, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: House Bill 1900

Dear Sir:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under Heading 4202 of the Harmonized Tariff System.

Our company imports and sells plastic Handbags, Totes, and Backpacks and we employ 100 people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20% but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the bag is made from.

Since there will be no adverse duty affect we urge that this bill be passed.

Thank you for your assistance.

Sincerely,

Latique, Inc.

Marvin Azrak
President

HANDBAGS AFFILIATE OF E.S. Originals inc.

Liz claiborne
ACCESSORIES
Two Emerson Lane
Secaucus NJ 07094

May 30, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: House Bill 1900

Dear Sir:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under Heading 4202 of the Harmonized Tariff Schedule.

Our company imports and sells plastic handbags, luggage, sport and travel bags, and flat goods and we employ 400 people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20%, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the item is made from.

Since there will be no adverse duty affect we urge that this bill be passed.

Thank you for your assistance.

Sincerely,

Samuel D. Shapiro

Samuel D. Shapiro
Vice President of Distribution

cc: Harold Sachs N.A.F.A.
Steve Weiser, Esq.
Frank Kelly
Vice President International Trade

SDS/mf

Michael Stevens Ltd
75 CARTER DRIVE
EDISON, NJ 08817
TELEPHONE (201) 287-1111

New York - May 30, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: House Bill 1900

Dear Sir:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under Heading 4202 of the Harmonized Tariff System.

Our company imports and sells plastic Handbags and we employ Fifty people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20%, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the bag is made from.

Since there will be no adverse duty affect, we urge that this bill be passed.

Thank you for your assistance.

Sincerely,

Michael R. Agresta

Michael R. Agresta
President

PYRAMID HANDBAGS INC.

Mailing Address
and Show Room:
131 W. 33rd Street
New York, NY. 10001
Phone: 212 - 714-2211

June 7, 1989

Robert J. Leonard,
Chief Counsel
Committee on Ways & Means
U. S. House of Representatives
Room 1102
Longdworth House of Office Building
Washington, D.C. 20515

Re: H.R. 1900

Dear Sir:

Our company is an importer and distributor of plastic children's handbags and novelties. For the past 25 years all of our merchandise has been considered by Customs to be of plastic and had a 20% duty rate under the Tariff Schedules of the United States.

Under the new Harmonized Tariff System our items still are dutiable at 20%, but the classification will differ depending on the type of plastic used. The law which Congressman Downey introduced, H.R. 1900, will eliminate the need for determining the type of plastic used, while maintaining the same 20% duty rate.

We believe that the passage of this bill will help to avoid the potential for confusion in tariff classification without changing the duty.

Thank you for your consideration.

Sincerely,

PYRAMID HANDBAGS, INC.

Edward M. Cogen

Edward M. Cogen
President

SHOWROOM/SELLING OFFICES
4 West 33rd Street
New York, N.Y. 10001-3386

EXECUTIVE HEADQUARTERS/
WAREHOUSE
104 Harbor Drive
Jersey City, N.J. 07305-4506

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May 26, 1989

Mr. Robert J. Leonard
Chief Counsel
COMMITTEE ON WAYS & MEANS
U. S. HOUSE OF REPRESENTATIVES
Room 1102
Longworth House Office Building
Washington, D.C. 20515

RE: HOUSE BILL 1900

Dear Sir:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under Heading 4202 of the Harmonized Tariff System.

Our company imports and sells plastic flatgoods and we employ 150 people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20 percent, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the bag is made from.

Since there will be no adverse duty affect we urge that this bill be passed.

Thank you for your assistance.

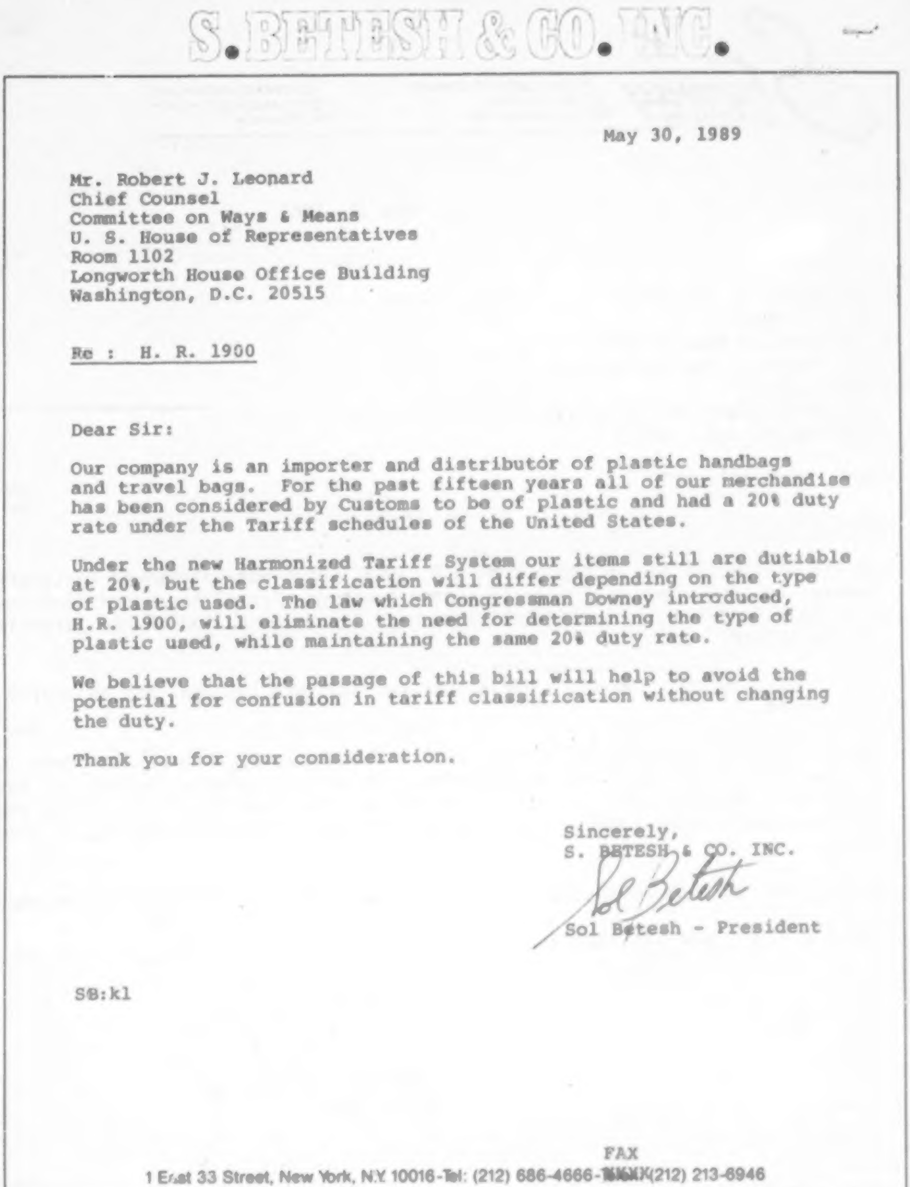
Sincerely,

Jeffrey Gatsik

JG:kj

cc: HAROLD SACHS, NFAA

TELEX: ITT 420408 RGAB UI FAX NUMBER: (212) 736-2307 CABLE: GIMINCK, NEW YORK



S. BETESH & CO. INC.

May 30, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U. S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re : H. R. 1900

Dear Sir:

Our company is an importer and distributor of plastic handbags and travel bags. For the past fifteen years all of our merchandise has been considered by Customs to be of plastic and had a 20% duty rate under the Tariff schedules of the United States.

Under the new Harmonized Tariff System our items still are dutiable at 20%, but the classification will differ depending on the type of plastic used. The law which Congressman Downey introduced, H.R. 1900, will eliminate the need for determining the type of plastic used, while maintaining the same 20% duty rate.

We believe that the passage of this bill will help to avoid the potential for confusion in tariff classification without changing the duty.

Thank you for your consideration.

Sincerely,
S. BETESH & CO. INC.
Sol Betesh
Sol Betesh - President

SB:kl

FAX
1 East 33 Street, New York, N.Y. 10016-Tel: (212) 686-4666-XXXX(212) 213-6946

Skyway
USA SINCE 1910

SKYWAY LUGGAGE COMPANY
SKYWAY CENTER
SEATTLE, WA [illegible]

TELEPHONE: [illegible]
TELEX: [illegible] SKYWAY SEA
FAX: [illegible]

May 31, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: House Bill 1900

Dear Sir:

We are writing to you in support of H.R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under the Heading 4202 of the Harmonized Tariff System.

Our company imports and sells plastic travel bags and luggage, and we employ 200 people.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of duty, which will still be 20%, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the bag is made from.

Since there will be no adverse duty affect, we urge that this bill be passed.

Thank you for your assistance.

Yours very truly,

Henry L. Kotkins, Jr.
President

HLKjr:sm

cc: John Miller
Harold B. Sachs

WATHNE

May 23, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways & Means
U. S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.S. 20515

Re: House Bill 1900

Dear Sir:

We are writing to you in support of H. R. 1900, which was introduced by Congressman Downey, to make clear that plastic coated handbags, travel bags, and flatgoods will be classified as plastic articles under Heading 4202 if the Harmonized Tarriff System.

Our company imports and sells plastic sundry items and plastic coated handbags and we employ approximately 125 people in the U.S. and overseas.

We believe that the passage of H.R. 1900 will help to avoid possible confusion in the classification of our merchandise. It will not change the rate of of duty, which will still be 20%, but will allow all plastic bags to be classified under the same tariff item number regardless of the type of plastic the bag is made from.

Since there will be no adverse duty affect we urge that this bill be passed.

Sincerely,

Elizabeth M. Ruth

Elizabeth M. Ruth
Wathne Ltd.

H.R. 1901

To eliminate customs user fees on goods originating in the State of Israel.

No statements submitted.

H.R. 1902

Relating to the tariff treatment of woven fabrics of carded wool or carded fine animal hair, of woven fabrics of combed wool or combed fine animal hair, and of certain gauzes.

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

The American Textile Manufacturers Institute (ATMI) has reviewed H.R. 1902 and, on behalf of its member companies which make the kinds of wool fabrics described in the bill, must herewith register its objection to this proposed legislation.

Our objection is based on several grounds. First and foremost is the potential damage facing domestic producers of these fabrics if current import duties are reduced to the levels set forth in the bill. The wool fabric weaving sector is a specialized part of the American textile industry which already suffers from severe import penetration -- the highest among all primary textiles -- and cannot, because of the specialized nature of the equipment it uses, shift production to other market segments. The inevitable result of H.R. 1902 would be to increase the already high level of wool product imports, thus causing further economic damage to domestic producers.

ATMI also objects to H.R. 1902 because it seeks to void international understandings which were reached during the negotiation of tariff changes occasioned by the conversion to the Harmonized System of tariff nomenclature by most of the world's trading nations. During these negotiations, which were conducted in Geneva, Switzerland over a period of many months, all interested foreign countries had ample opportunity to review and comment on the tariff rates which would be set forth in the United States' Harmonized Tariff Schedules (HTS). In those instances where product-specific duties were raised, compensation was paid in the form of tariff reductions on other products, the net result being a duty-neutral conversion of our previous tariff schedule to the HTS. This was in accordance with principles established by the Customs Cooperation Council and U.S. law authorizing conversion to the HTS. H.R. 1902 would upset that neutrality which was so carefully and laboriously achieved.

CRAFTED WITH PRIDE IN USA
Tel: 202/862-0500 Fax: 202/862-0570 Twx: 710-822-9489

We further object to H.R. 1902 because, it is, frankly, well past the time for any changes to be made to our tariff schedules. After the conclusion of the Geneva talks and agreement by all concerned and affected trading partners regarding U.S. duties under the HTS, the U.S. International Trade Commission published a draft HTS more than a year in advance of the Congressional vote to implement the HTS. The time for changes to the tariffs set forth in the HTS was then, not now.

H.R. 1902 is an over-reaching attempt by importers of the products in question to increase their profits at the expense of American firms and their workers and is thus contrary to long-standing Congressional will. Congress has for many years understood the fragile nature of the domestic wool manufacturing sector, its importance to the economies of those regions where it is concentrated and the vital role it plays in properly outfitting and equipping our armed services. For these reasons, Congress has not sought to tamper with existing duties on wool manufactures and therefore has not enacted legislation which would do so.

For all the reasons set forth above, we request that H.R. 1902 be removed from the legislative calendar and no further action on it taken.

Sincerely,
Carlos Moore
Carlos Moore
Executive Vice President

CM/bmt

MUDGE ROSE GUTHRIE ALEXANDER & FERDON

2121 K STREET, N.W.
WASHINGTON, D.C. 20037

202-429-9355

CABLE ADDRESS
BALTUCHINS-WASHINGTON
ITT TELEX: 440264
TELECOPIER: 202-429-8387

MARTIN J. LEWIN
PARTNER

180 MAIDEN LANE
NEW YORK, NEW YORK 10038
212-510-7000

SUITE 2020
333 SOUTH GRAND AVENUE
LOS ANGELES, CALIF. 90071
213-613-1112

SUITE 900, NORTHBRIDGE CENTRE
515 NORTH FLAGLER DRIVE
WEST PALM BEACH, FL. 33401
305-650-8100

12 RUE DE LA PAIX
75002, PARIS, FRANCE
(1) 42. 61. 57. 71

May 31, 1989

Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1101
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

These comments are submitted on behalf of the Association for Contract Textiles ("ACT") and the Decorative Fabrics Association ("DFA") in support of H.R. 1902, a bill to restore the duty rates on certain wool upholstery and drapery fabrics ("wool upholstery fabrics") to their pre-Harmonized Tariff Schedule levels. The members of ACT and DFA are suppliers of domestically produced and imported fabrics for the commercial and residential interior design markets. The combined membership of ACT and DFA includes 81 companies located in 13 states. It is believed ACT and DFA member companies represent virtually the entire U.S. wool upholstery fabric marketing industry.

Many wool upholstery fabrics have experienced a dramatic increase in duty rates under the Harmonized Tariff Schedules ("HTS"). A return to the tariff rate in effect under the Tariff Schedules of the United States ("TSUS") for these fabrics is critical to ACT and DFA members.

Wool upholstery fabrics are distinct from other wool fabrics and historically have been accorded separate tariff treatment at a much lower rate of duty than other wool fabrics. Prior to the implementation of the HTS, wool upholstery fabrics were separately classified and subject to duty rates of seven percent ad valorem, compared to rates ranging from 33 percent _ad valorem_ to 22 cents per round plus 38 percent _ad valorem_.

However, with the adoption of the HTS on January 1, 1989, most wool upholstery fabrics are classified with wool fabrics generally under two broad headings, "woven fabrics of carded wool and of carded fine animal hair" (heading 5111) and "woven fabrics of combed wool or of combed fine animal hair" (heading 5112). Although breakouts exist within these two headings for certain "tapestry and upholstery fabrics," subject to the same seven percent rate of duty previously in effect under the TSUS, many wool upholstery fabrics inadvertently became subject to significantly higher duty rates, ranging from 33 percent to 48.5 cents per kilogram + 38 percent.

Continuation of the current tariff treatment for wool upholstery fabrics under the HTS will have devastating consequences for ACT and DFA member companies.

Wool upholstery fabrics are high-value products. European suppliers including the United Kingdom (by far the largest supplier), West Germany, Italy, and Switzerland, are the traditional source of wool upholstery fabrics for the U.S. market. The European mills are largely small, family-run operations with a long history of producing wool upholstery fabrics.

Because these are high value products, domestic producers historically have been price competitive in these products. Moreover, the lower dollar has given the U.S. industry a competitive advantage over European producers and has resulted in the U.S. industry increasing its market share. The result has been a situation of demand for many domestically produced wool upholstery fabrics exceeding supply. The time between orders and deliveries has increased to as long as twenty weeks, significantly above previous years, and U.S. producers are operating at or near capacity.

The continuation of extremely high rates of duty on imported wool upholstery fabrics would virtually eliminate them from the U.S. market. Members of DFA and ACT cannot continue to pay the enormously high rates of duty to which most of these fabrics are now subject and will be forced to source only in the United States. With U.S. mills operating at or near capacity, this would result in a short supply situation and would ultimately lead to substantial price increases to the U.S. consumer. This in turn would lead to consumer price resistance and would have a profoundly negative economic impact on ACT and DFA member companies.

The U.S. industry has not suffered as a result of imports and does not need the restrictive protection now in place due solely to the omission of breakouts for these products in the conversion of the TSUS to the HTS. More importantly, the industry stands to gain nothing from the continuation of these unnecessarily high duty rates, while ACT and DFA members companies are in danger of losing millions of dollars in business which cannot be replaced by U.S. production.

H.R. 1902 is critically needed to return the duty rates on wool upholstery fabrics to those in effect prior to implementation of the HTS, and to avoid further harm to U.S. companies supplying these products.

We are enclosing for the Committee's information detailed comments on the economic impact of the restoration of duties on wool upholstery fabric submitted to the U.S. International Trade Commission in its Investigation No. TA-131(b)-14.

Thank you in advance for your consideration of our comments in this matter.

Respectfully submitted,

MUDGE ROSE GUTHRIE ALEXANDER & FERDON
Counsel for the Association for Contract
Textiles and the Decorative Fabrics
Association

By: ______________________
Martin J. Lewin

[THE ATTACHMENT TO THIS STATEMENT IS BEING RETAINED IN THE COMMITTEE FILES.]

Northern Textile Association

May 30, 1989

Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

The Northern Textile Association, principal representative of the producers of woolen fabrics and other textile producers primarily located in the Northeast, wishes to express its opposition to H.R. 1902, a bill to reduce the duty on certain wool upholstery and drapery fabrics.

The fabrics referred to in this bill are produced by the textile mills represented by the Northern Textile Association. Tariffs on woolen and worsted fabrics were exhaustively reviewed in the recently completed negotiations on the conversion to the Harmonized Tariff System and should not be reopened at this time. The United States Government has long recognized the particular sensitivity of the woolen fabric industry to imports and has maintained tariffs on woolen products accordingly. The tariff changes suggested in this legislation would have an adverse affect on production and employment in woolen textile mills in the United States.

Thank you for your consideration of these comments.

Sincerely,

Karl Spilhaus
President

H.R. 1903

To extend to ethyl tertiary butyl ether the same tariff treatment provided to ethanol.

No statements submitted.

H.R. 1904

To suspend for a 3-year period the duty on amiloride hydrochloride.

See contents pages for statements on this bill.

H.R. 1905

To suspend for a 3-year period the duty on D-carboxamide.

See contents pages for statements on this bill.

H.R. 1906

To suspend for a 3-year period the duty on Norfloxacin.

See contents pages for statements on this bill.

H.R. 1907

To suspend temporarily the duty on Iopamidol.

BERNARD J. DWYER
8TH DISTRICT, NEW JERSEY

COMMITTEES
APPROPRIATIONS

SUBCOMMITTEES
LABOR, HHS AND EDUCATION
COMMERCE, JUSTICE, STATE
AND THE JUDICIARY
BUDGET
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE
2428 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3006
(202) 225-6301

DISTRICT OFFICES
214 SMITH STREET
PERTH AMBOY, NJ 08861-4338
(201) 826-4610

628 WOOD AVENUE, NORTH
LINDEN, NJ 07036-4162
(201) 486-4800

86 BAYARD STREET
NEW BRUNSWICK, NJ 08901-2115
(201) 545-5695

May 31, 1989

The Honorable Sam Gibbons
Chairman, Ways & Means Subcommittee
on Trade
1136 Longworth H.O.B.
Washington, D.C. 20515

Dear Mr. Chairman:

Recently, Mr. Guarini and I introduced H.R. 1907, a bill which would suspend temporarily the duty on Iopamidol.

There is no domestic manufacturer of Iopamidol, which is the active ingredient of Isovue, a non-ionic contrasting agent used in x-ray examinations which enables diagnosticians to improve the quality of images they are producing. Non-ionic imaging agents, of which there are only a few, are more readily used in high risk and elderly patients because they provide a tremendous reduction in side-effects or adverse reactions.

Squibb Corporation has been manufacturing and marketing Isovue, which was approved by the FDA late in 1985. Iopamidol must be purchased from an Italian company, which holds the exclusive product patent, and is also subject to an inverted tariff. Whereas substantially similar finished products imported by foreign manufacturers carry a duty of only 6.9%, Squibb must produce these diagnostic products from the imported raw material carrying a duty rate of 13.5%. This places the company at a competitive disadvantage with both foreign competitors and Squibb's own overseas facilities which export similar products to the United States. Squibb has therefore been forced to consider manufacturing these products abroad, and importing at the lesser duty, the finished products for sale in the U. S. in order to remain competitive.

Isovue sales have grown dramatically in the first two years since its introduction. Squibb estimates that it will import approximately 150,000 of Iopamidol kilos at $375.00 per kilo in 1990. At 13.5%, the cost of the duty would amount to about $7.6 million annually. As a member of both the Appropriations and Budget Committees, I fully realize the revenue shortfalls your subcommittee will be faced with when considering the unusually large number of duty suspension bills this year. What we are seeking, however, is only an even playing field for true competition with both domestic and foreign competitors in the non-ionic diagnostic imaging field, which will ultimately benefit the American health consumer and possibly reduce the federal budget.

For these reasons and to retain the substantial number of domestic jobs the U.S. manufacturing of Isovue has created, I urge that you give H. R. 1907 your thorough consideration and favorably include it as part of the miscellaneous tariff bill your subcommittee will shortly be considering.

Thank you for your consideration. I hope that you or your staff will not hesitate to contact me if there is any further information which I might be able to supply.

Sincerely,

Bernard J. Dwyer
Member of Congress

BJD:jy

Mallinckrodt, Inc.

675 McDONNELL BLVD. • P.O. BOX 5840 • ST. LOUIS, MO. 63134 • (314) 895-2000

June 2, 1989

via Emery Express

Committee on Ways and Means
Attention: Robert J. Leonard, Chief Counsel
U.S. House of Representatives
Room 1102 LHOB
Washington, DC 20515-6348

Dear Mr. Leonard:

As you may be aware, on June 2, 1989, Mallinckrodt Medical, Inc., an operating unit of Mallinckrodt, Inc., submitted comments to the Trade Subcommittee House Ways and Means Committee in opposition to H.R. 1907. This bill would suspend, until January 1, 1993, the duty on a chemical compound known as Iopamidol.

Mallinckrodt Medical will soon introduce a drug compound of its own which will directly compete with Iopamidol. Mallinckrodt Medical's product, however, was developed in the U.S. and will be produced in the U.S. Passage of H.R. 1907 would affront Mallinckrodt Medical's investment and discourage other U.S.-based research and development efforts.

Attached is an identical copy of the opposition comments that Mallinckrodt Medical has previously submitted on this matter. By submission of this copy, I request that Mallinckrodt Medical's comments be considered by the Committee and included in the Congressional Record.

If you or your staff have any questions or comments, please do not hesitate to contact me (314/895-2916), Joan T. Bier, our Vice President of Government Affairs in Washington, D.C. (202/659-1750), or C.R. Holman, President, Mallinckrodt Medical, Inc. (314/895-2180).

Sincerely yours,

Rita E. Bleser

Rita E. Bleser
Senior Attorney

REB:sr
enclosure

cc: Mrs. Joan T. Bier, Vice President, Government Affairs,
IMC/Mallinckrodt, Inc., Washington, DC

Mallinckrodt

Commentator: Mallinckrodt, Inc.
Legislation: H.R. 1907
Date: June 2, 1989

Mallinckrodt Medical, Inc., an operating unit of Mallinckrodt, Inc. ("Mallinckrodt"), a U.S. manufacturer and distributor of medical products for the U.S. healthcare market, opposes and recommends the defeat of H.R. 1907 which would allow for suspension of tariff duties on N,N'-bis[2-hydroxy-1-(hydroxymethyl)-ethyl]-2,4,6-triiodo-5-lactamidoisophthalamide, known as Iopamidol. E.R. Squibb & Sons, Inc. ("Squibb") formulates Iopamidol in the U.S. to produce its product, Isovue, a nonionic contrast media agent.

Mallinckrodt recently received FDA approval for and will soon begin marketing its product, Optiray, incorporating N,N'-Bis(2,3-dihydroxypropyl)-5-[N-(2-hydroxyethyl)-glycolamido]-2,4,6-triiodoisophthalamide to compete with Isovue in the *in vivo* diagnostic, nonionic contrast media market. Mallinckrodt's product was developed within the United States, and was the culmination of approximately ten (10) years of research and development effort, including the multi-million dollar, state-of-the-art manufacturing facility in the United States. *Mallinckrodt's research, development and manufacturing investment in Optiray will provide a solely U.S.-produced supply of nonionic contrast media to compete with Squibb's Isovue*.

Suspension of duty on Iopamidol, by passage of H.R. 1907, affronts Mallinckrodt's investment and will discourage other U.S.-based research and development efforts in this market. Squibb currently has a dominant position in the U.S. in the nonionic contrast media market, and suspension of duties on Iopamidol could result in increasing Squibb's market share and dominance in the contrast media market. Such actions discourage the investment of resources within the medical industry and stymie the development of new products and improved patient care.

BACKGROUND

Iodinated contrast media are used in a variety of diagnostic procedures in radiology and cardiology departments (approximately 12 million procedures annually). Most commonly, they are injected into the venous or arterial circulation and distributed to the area of interest within the patient. Radiographic techniques are then used to obtain and record the images for subsequent evaluation.

Traditionally, such injections can be associated with a wide variety of patient side effects. These range in severity from mild, nuisance-type reactions (pain, burning sensation, nausea, etc.) to severe, life-threatening episodes (breathing difficulties, changes in blood pressure, heart rhythm and rate changes, and other cardiovascular or hypersensitivity reactions). Clinical data suggest the incidence of fatal reactions to fall in the range of one death per each 10,000 to 100,000 injections.

In an attempt to improve on this performance, significant research has been directed toward the identification and development of compounds capable of providing appropriate diagnostic efficacy, while reducing the frequency and/or severity of side effects associated with their use. Due to the suspected involvement of "hyper-osmolality" of conventional agents in many of these reactions, efforts were concentrated on reducing the inherent "osmolality" of these compounds.

One way such improvements may be obtained is by creating a molecule which does not "ionize" (dissociate into anion and cation components). These agents deliver equivalent iodine with only half the "conventional" osmotic load. Products falling into this category are commonly referred to as "nonionics".

As a class, nonionic agents achieve significant advantages over their "conventional" predecessors in patient tolerance. Until the introduction of Mallinckrodt's competitive Optiray, the available agents, including Isovue (Iopamidol) are all licensed from their European owners to U.S.-based distributors.

CONCLUSION

Mallinckrodt has made a substantial investment in the development of a nonionic contrast media to compete with European--owned agents which have been licensed to Mallinckrodt's competitors. Passage of H.R. 1907 would provide U.S. governmental encouragement of the importation of European products to the detriment of a soon-to-be introduced U.S. product. Such support of foreign-owned technology at the expense of U.S. research and development efforts not only contradicts current balance of trade goals, but also defeats positive efforts to reduce the tremendous budget deficit.

Joseph T. Stewart, Jr.
Senior Vice President, Corporate Affairs
Squibb Corporation
In Support of H.R. 1907

Mr. Chairman, I appreciate the opportunity to provide a written statement in support of H.R. 1907, the temporary suspension of duty for Iopamidol on behalf of Squibb Corporation. My name is Joseph T. Stewart, Jr., Senior Vice President of Corporate Affairs of the Squibb Corporation.

Iopamidol is the key ingredient used in the manufacture of a non-ionic diagnostic imaging agent used in cardiology and radiology. Non-ionic imaging agents are state-of-the-art for utilization in high risk and elderly patients, due to the reduced incidence of side effects and adverse reactions.

Iopamidol is patented by Bracco Industria Chemica, S.P.A., of Italy. Squibb Corporation, of Lawrenceville, New Jersey, is the sole licensee for Iopamidol in the United States. Squibb's license agreement requires that Squibb import all of the Iopamidol ingredient from Bracco. Iopamidol is listed under Tariff Schedule 405.3400 and subject to a duty of 13.5%.

Squibb manufactures and markets the non-ionic diagnostic imaging agent called Isovue, which contains Iopamidol as the active ingredient. Squibb holds the U.S. trademark for Isovue, which was approved by the Food and Drug Administration late in 1985.

Product Uniqueness

Only Isovue is approved to contain up to 4.5 grams of iodine concentration. The capability to use greater quantities of iodine in a contrast agent permits greater visualization of an x-ray.

In addition, Isovue and only one other non-ionic product, Iohexol, have been approved by the FDA for myelography (the study of the spinal cord after injection of a contrast agent) used for diagnosis of serious spinal cord injuries or disorders.

Producing these diagnostic products at our New Brunswick facility from imported raw materials carrying a higher duty rate than the finished products places Squibb at a competitive disadvantage.

Although Iopamidol is not manufactured domestically, it competes in a class with two other non-ionic diagnostic imaging agents. Since we are the U.S. licensee for Iopamidol, our purchase price per kilo is much higher than that which it could be produced domestically were Squibb the patentholder. In that case, we certainly are not dumping cheap imports into the market which would harm the domestic industry. On the contrary, we are seeking relief of duty on an expensive import in order to have an even playing field for our domestic manufacturer to participate.

Another key factor is the limited number of non-ionic imaging agents commercially available. The more competition among diagnostic producers should ultimately benefit the American health consumer. An even playing field will enhance competition while benefiting consumers and American jobs.

Jobs

More than one-third (800 jobs) of the labor force at New Brunswick are engaged in the production of diagnostic products. At least one foreign competitor now sends finished products similar to the Squibb products into the U.S. to an affiliate. This competitor has an advantage by reason of an inverted tariff. Squibb has, therefore, been forced to consider manufacturing these products abroad, and importing at the lesser duty, the finished products for sale in the U.S. Under the Harmonized Tariff

Schedule, 30.06.30.5, the finished product could be imported at the 6.9% duty rate.

Transfer of the Isovue operation alone would result in the loss of employment for 100 people: 50 employees directly involved in production, plus another 50 employees in support functions, such as R & D, quality control, and maintenance. Of this total approximately 35% would be minority and 60% would be semi-skilled.

Duty suspension could lead to job expansion at the site if current operations remained intact as a result. Isovue sales have grown dramatically in the first two years since its introduction. This growth is anticipated to continue and could be augmented by attempts to supply an export market. Such expanded requirements could lead to the addition of a second shift creating approximately 40 additional production jobs. The nature of these positions is expected to be similar to those described in the preceding paragraph, i.e., approximately 35% minority and 60% semi-skilled.

Increased Tax Base

Continued or expanded operations at New Brunswick would maintain or increase taxes paid to state and local governments. In addition to increased ratables from facility expansion and taxes on likely gains in sales revenues, there is a multiplier effect of expanded payroll and regional spending. Squibb's 1987 payroll at New Brunswick was approximately $84,000,000 in 1987. The loss of 100 jobs would result in an immediate reduction of $3,000,000 to the payroll. Applying impact multipliers developed by the NJ Department of Commerce, Energy and Economic Development, this would have a total negative impact on the community as follows:

- Total employment loss = 238
- Total wage loss = $5,940,000/yr.

The addition of a second shift operation could lead to the immediate hiring of 40 new employees. The increase in payroll would be approximately $1,200,000. Once again, applying the previously mentioned multipliers, the total positive impact on the community would be as follows:

- Total employment gain = 95
- Total wage gain = $2,376,000/yr.

The total effect of duty suspension can, therefore, have a net impact on the community as follows:

- Total jobs (retained and gained) = 333
- Total income (retained and gained) = $8,316,000/yr.

In addition to this employment and wage effect on the community, there is the impact of direct company expenditures for goods and services. Squibb purchased over $75,000,000 in goods and services at the New Brunswick facility in 1987. Any reduction in workload would, of course, have a negative impact on this figure, while conversely, increases in sales or workforce will have a positive impact.

Increased Exports

Squibb is currently licensed to sell Isovue in several European, Asian, and South American countries. These markets have to date not been exploited for a variety of reasons, among them, the cost of importing the raw material. Duty suspension could lead to an attempt to supply these markets, resulting in an increase in exports.

Duty suspension could assist Squibb in attracting subcontract manufacturing business from European and Asian pharmaceutical companies who wish to supply markets in the U.S., Canada, Mexico, and South America. This business would not only increase exports, but could lead to an increase in jobs.

Costs

Squibb estimates that it will import approximately 150,000 kilos of Iopamidol for production in 1989. The cost is $375/kilo so the duty costs can be calculated as follows:

150,000 kilos x $375 = $56,250,000
@Duty Rate of x 13.5%
Cost of Duty $ 7,593,750

Competition

There is no domestic manufacturer of Iopamidol.

There is domestic competition, however, among non-ionic contrast diagnostic agents (of which Isovue is one). Sterling Winthrop makes a non-ionic compound on license from a Norwegian firm. Mallinckrodt is about to manufacture another non-ionic compound.

The increased competition among domestic makers and marketers of non-ionic products stimulates the need to reduce manufacturing costs wherever possible. It is this consideration that drives our request for a duty suspension for Iopamidol. It is crucial to our current and future economic base in New Brunswick that jobs can be maintained and enhanced only in a competitive atmosphere. Enhanced competition will be beneficial to the American health consumer and, hopefully, will reduce federal budget outlays for health costs.

Mr. Chairman, I appreciate your consideration of our request for the temporary duty suspension of Iopamidol. Thank you.

H.R. 1910

To suspend temporarily duty on (6R-(6a,7B(Z))) -7- (((2-Amino -4- thiazolyl) ((carboxymethoxy) imino) acetyl) amino)-3-ethenyl -8- oxo-5-thi-1-azabicyclo (4.2.0) oct-2-ene-2-carboxylic acid.

STATEMENT OF REP. BENJAMIN A. GILMAN
(22ND DISTRICT -- NEW YORK)
BEFORE THE SUBCOMMITTEE ON TRADE
OF THE COMMITTEE ON WAYS AND MEANS
REGARDING H.R. 1910 AND H.R. 1912

May 31, 1989

Mr. Chairman, thank you for affording me the opportunity to submit comments on tariff suspension legislation pending before the Subcommittee. I appreciate the Subcommittee's willingness to hear all relevant viewpoints on the important topic of U.S. import tariffs, and I am pleased to express my support for legislation I have introduced which will provide relief from payment of certain tariffs imposed upon chemical products.

Mr. Chairman, H.R. 1910 and H.R. 1912 will suspend import duties on certain chemicals used by Lederle Laboratories in the manufacture of pharmaceuticals. Lederle Laboratories is a major manufacturer of medicines and vaccines, employing approximately 3,800 individuals at its research and manufacturing site located in Pearl River, New York, a portion of the 22nd Congressional District which I represent.

Lederle Laboratories was founded at the turn of the century by former New York City Health Commissioner, Dr. Ernst Lederle. Since its founding, the company has made many significant contributions to public health through the development of drugs and vaccines for the prevention and treatment of major diseases afflicting citizens throughout our Nation and throughout the world.

H.R. 1910 will provide tariff relief for a product named SUPRAX cefixime, an antibiotic drug which Lederle plans to distribute in the near future. SUPRAX cefixime is useful in the treatment of ear infections and bronchitis in adults and children.

Middle ear infection is one of our most common childhood illnesses, accounting for nearly 30 million doctor's office visits in just the last year. By the time they reach three years of age, one third of all children will have had at least one middle ear infection.

SUPRAX will be important to the treatment of such illnesses because it acts against bacteria which otherwise may resist treatment with drugs currently available on the market. More importantly, SUPRAX offers a once-a-day dosage, an increasingly sought after convenience which assists parents and children in using the drug safely and effectively to achieve full benefits.

H.R. 1912 provides tariff relief for another very important product, leucovorin calcium, which is used to treat certain anemias and can be combined with major cancer drugs in order to reduce their toxicity.

Mr. Chairman, we are all well aware of spiraling health care costs associated with the treatment of these illnesses. It is evident that these medicines are valuable products for which availability and consumer cost are most important. In order to reduce costs and promote the development of worthwhile products such as this, we must permit our domestic industries to compete effectively in the global economy. Accordingly, we should pursue every effort to reduce impediments to domestic productivity and international competitiveness.

The tariff duties assessed on SUPRAX cefixime and leucovorin calcium are exactly these types of impediments, artificially inflating the cost of substances for which there exists no domestic manufacturer and no domestic competition. The enactment of H.R. 1910 and H.R. 1912 will result in no economic disadvantage here at home, but rather will allow a competitive industry to enhance its effectiveness in the world marketplace and enable Lederle Laboratories to continue the provision of its vital services both here and abroad.

Mr. Chairman, I thank you for this opportunity to testify, and I urge the Subcommittee to grant favorable consideration to H.R. 1910 and H.R. 1912.

H.R. 1911

To suspend temporarily the duty on 7-Acetyl-1,1,3,4,4,6-hexamethyltetrahydronaphthalene.

GIVAUDAN

May 25, 1989

Mr. Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C.

Dear Mr. Leonard:

This letter is written in support of H.R. 1911, which would establish a separate classification for 7-Acetyl-1,1,3,4,4,6-hexamethyltetrahydronaphthalene (a.k.a. 7-Acetyl-1,1,3,4,4,6-hexamethyltetralin). The cited bill would also suspend duties on the material through December 31, 1992.

The material cited above is sold under two trademarks. Fixolide® by Givaudan Corporation and Tonalide® by PFW. Fixolide/Tonalide is an aroma chemical of the polycyclic musk class and its exclusive use is as an ingredient of fragrance oils. Thus, when Fixolide/Tonalide is admixed with other aroma chemicals and/or natural extracts, fragrance oils are produced. Such fragrance oils find their way to the consumers as perfumes in alcoholic solution and as oderiferous substances which lend pleasing odors to soaps, detergents, personal care products, household products and many consumer product types, too numerous to list here. Due to its substantivity on fibers, the use of Fixolide/Tonalide is favored in certain washing detergent preparations, but not limited to such applications.

Fixolide is manufactured in Switzerland by L. Givaudan & Cie., Swiss Affiliate of Givaudan Corporation. Tonalide, on the other hand, is manufactured in the Netherlands. Since we are a major merchant/manufacturer of aroma chemicals in the United States and Europe, Givaudan does, in fact, possess comprehensive knowledge of the United States market for our core aroma chemical products, of which Fixolide is one. Therefore, we are in a position to state, and do state, that there are no manufacturers of 7-Acetyl-1,1,3,4,4,6-hexamethyltetralin in operation in the United States. Thus, passage of H.R. 1911 can have no effect upon manufacturers of aroma chemicals who do manufacturing of aroma chemicals in the United States.

The revenue loss to the United States Treasury is, in fact, minimal, were H.R. 1911 passed. If the 1989 average exchange rate for the U.S. Dollar vis-a-vis the Swiss Franc and Dutch Guilder were

GIVAUDAN CORPORATION
Delawanna Avenue Clifton, New Jersey 07015-5034 Telephone 201/365-8000 Telex 219259
Cable Givaudanco, Clifton Facsimile 201/777-9304 (Headquarters) 201/365-0711 (Plant)

assumed to be those as of May 1, 1981, the revenue loss to the United States Treasury would be under one million five hundred thousand dollars ($1,500,000). With the value of the dollar increasing vis-a-vis foreign currencies, it is becoming more difficult for world-class fragrance oil manufacturers with production facilities located in the United States to export their fragrance oils. In fact, it may be less expensive in U.S. Dollars for American fragrance oil users to import fragrance oils. However, suspension of duty for Fixolide/Crysolide could off-set the cost of production to American fragrance oil manufacturers due to increasing dollar value, such that they may be able to successfully compete against off-shore fragrance oils in the United States and even enable them to continue exports of American-produced fragrance oils. Some world-class fragrance oil producers with production facilities located in the United States use such production to odorize their own consumer products for the American market. They also may export some fragrance oils to odorize their consumer products in off-shore markets. If the value of the U.S. Dollar becomes too strong, these producers/users may opt to have fragrance oils for their off-shore markets produced abroad or, in fact, they may opt to produce their fragrance oil requirements used to odorize consumer products for the American market abroad and import such fragrance oils into the United States. Again, suspension of duties as envisaged in H.R. 1911 would tend to keep such fragrance oil production in the United States and maintain or increase manufacturing jobs in the United States.

The impact on United States Customs would be minimal, were H.R. 1911, in fact, passed. Fixolide/Tonalide would be assigned its own eo nomine HTS provision. Givaudan and PFW are the only two producers in the world and both firms import exclusively through the Port of New York and J.F.K. International Airport. Thus, notification by U.S. Customs to their field locations of actual import would be a simple matter to accomplish.

Sincerely,

GIVAUDAN CORPORATION

L. Blecker

L. Blecker
Director of Marketing Services
Chemical Division

HERCULES

Hercules Incorporated
Hercules Plaza
Wilmington, DE 19894
(302) 594-5000
Telex: 83-5479

My name is Larry L. Barnhart. I am the Manager of the Hercules Incorporated Transportation Department Import Section. This statement is made on behalf of Hercules Incorporated's F&FIG (Food and Fragrance Ingredient Group) business center concerning the importation of Tonalid into the United States.

Hercules Incorporated is a major worldwide producer of Speciality Chemicals, Aerospace Components, and Fabricated Products. Hercules Incorporated is headquartered at Hercules Plaza, 1313 N. Market Street, Wilmington, Delaware 19894.

Hercules is a major importer of Tonalid, trade name for 7, Acetyl-1.1.3.4.4.6-HexamethylTetrahydronaphtalene (CAS #1506-02-1 and/or 21145-77) Tonalid is an artificial Musk fragrance used in soaps, toiletries, cold wave preparations, and chlorinated detergents.

Prior to January 1, 1989, and under the old TSUSA Tariff Schedule, Tonalid was imported under TSUS number 413.0800 at 6.5% Ad Valorem duty rate. With the change to the Harmonized Tariff System, the classification criteria for classifying products changed. This put Tonalid based on its chemical composition under Harmonized Tariff System number 2914.30.0000-5 at a duty rate of 11.9% Ad Valorem. The only reason for this change was the Harmonized Tariff System Classification criteria and categories. To the best of Hercules' knowledge, no U.S. company or industry asked for or petitioned for duty increases.

The increase of 5.4% on this product has put Hercules at a severe price disadvantage from a competitive standpoint. There is no U.S. production of this product in the United States. The only other sources in the world are the Netherlands and Switzerland. Other artificial Musks with a different chemical composition are classified under Harmonized Tariff System numbers 2914.70.1000-4 and 2904.20.3000-3 at duty rates of 6.5% Ad Valorem. One intent of the Harmonized Tariff System was to keep products imported to the U.S. revenue neutral. This change for Tonalid does not do that.

Therefore, it is respectfully requested that the Subcommittee on Trade of the Committee on Ways and Means suspend U.S. Customs duties as in H.R. 1911 and further that after December 31, 1992, a change to the Harmonized Tariff System Schedule be made to reflect a duty rate of 5.9% Ad Valorem for this Musk fragrance. Also, that Tonalid be specifically provided for under a category of Chapter 29 Heading 2914, Musk or other artificial Musk fragrances.

Thank you for the opportunity to present this information to the Committee on Ways and Means.

Very truly yours,

L. L. Barnhart
Manager, Import Section
Transportation Department

LLB/aj
5643Q

THE PROCTER & GAMBLE COMPANY
GENERAL OFFICES
2 PROCTER & GAMBLE PLAZA, CINCINNATI, OHIO 45202-3314

May 25, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: H.R. 1911 Duty Suspension Bill

Dear Mr. Leonard:

This letter is submitted by Procter & Gamble (P&G) in support of passage of H.R. 1911 -- a bill to temporarily suspend the U.S. duty on the importation of 7-Acetyl-1,1,3,4,4,6-hexamethyltetrahydronaphthalene. The chemical is a synthetic musk, imported under U.S. tariff number 2914.3000 at a current duty rate of 11.9% ad val.

P&G is a U.S. consumer of this perfume chemical. The chemical is marketed by the Givaudan Corporation under the name, Fixolide, and by the PFW Division, Hercules Incorporated, under the name Tonalid. The chemical is used in industrial perfumes including those for detergents, which are some of our most important products.

Since we are unaware of any U.S. producers of Fixolide or Tonalid, we believe that there would be no adverse impact on any domestic industry. The removal of the 11.9% U.S. duty will lower the cost of perfumes produced at our Avenel, New Jersey and St. Bernard, Ohio plants. With the duty removed, our foreign subsidiaries will find it more economical to source perfumes, which use Tonalid/Fixolide, from the U.S. thus increasing U.S. exports.

Please let us know if there is further information you require relative to this legislation.

Sincerely,

David J. Elliott
Associate Director
International Trade

H.R. 1912

To suspend temporarily the duty on N-(4-(((2-Amino-5-formyl-1,4,5,6,7,8-hexahydro-4-oxo-6-pteridinyl)methly)amino)benzoyl)-L-glutomic acid.

See contents pages for statements on this bill.

H.R. 1914

To suspend temporarily the duty on mercuric oxide.

No statements submitted.

H.R. 1916

To amend the Harmonized Tariff Schedule of the United States to provide duty-free treatment for certain electronic reading products.

BILL GREEN
15TH DISTRICT, NEW YORK

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEES:
RANKING MINORITY MEMBER
HUD-INDEPENDENT AGENCIES
DISTRICT OF COLUMBIA

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE:
1110 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) [illegible]

NEW YORK OFFICE:
LINCOLN BUILDING
60 EAST 42ND STREET, ROOM 2300
NEW YORK, NY 10165-0015
(212) [illegible]

June 6, 1989

Hon. Sam Gibbons, Chairman
Ways & Means Trade Subcommittee
1136 Longworth House Building
Washington, DC 20515

Dear Sam:

I am writing to you with regard to two miscellaneous tariff bills that I introduced on behalf of Franklin Computer earlier this session. H.R. 1916 and H.R. 1917 would both amend the Harmonized Tariff Schedule to provide duty-free treatment for certain electronic reading products.

Please withdraw H.R. 1916 from consideration. H.R. 1916, which would categorize the electronic reading products under Chapter 49 of the HTSUS, was introduced because Franklin believes that electronic reference products are classifiable in Chapter 49. Given Custom's continued opposition to a Chapter 49 classification of such products, however, Franklin is amenable to classification of these products under Chapter 84 (solely for purposes of the legislation currently under consideration) as reflected in H.R. 1917.

In addition, I have no objections to amending Section 2, Line 4 of H.R. 1917 to change the effective date from July 1, 1987 to January 1, 1989 as recommended by the interagency review process. Finally, I concur with the comments submitted by Franklin Computer that "strong policy grounds exist for according duty-free treatment to its electronic reference products". Duty-suspension treatment would also be an acceptable alternative to a permanent tariff change, if a permanent tariff change proves to be significantly controversial upon interagency review.

Thank you for your attention with regard to this matter.

Best wishes.

Sincerely,

Bill

Bill Green
Member of Congress

H.R. 1917

To amend the Harmonized Tariff Schedule of the United States to provide duty-free treatment for certain electronic reading products.

Arent, Fox, Kintner, Plotkin & Kahn

Washington Square 1050 Connecticut Avenue, N.W. Washington, D.C. 20036-5339

JEROME P. AKMAN
RAYMOND BANOUN
DAVID J. BARDIN
DONALD M. BARNES
MICHAEL D. BARNES
JOEL E. BASSETT
EVAN R. BERLACK
STEPHAN J. BOARDMAN
STANLEY J. BROWN
WILLIAM R. CHARYK
J. MARSHALL COLEMAN
EARL M. COLSON
JOHN C. CULVER
HAROLD DAMELIN
DAVID T. DEKKER
ALAN S. DUBIN
MICHAEL M. EATON
SAMUEL EFRON
MARC L. FLEISCHAKER
STEPHEN S. FORMAN
THEODORE D. FRANK
JOSEPH M. FRIES
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E. CALVIN GOLUMBIC
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LAWRENCE F. HENNEBERGER
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ROBERT H. HUEY
JAMES H. HULME
JOHN D. HUSHON
MICHAEL E. JAFFE
EARL W. KINTNER
GEORGE R. KUCIK
MICHAEL J. KURMAN
MICHAEL R. LEMOV
GERARD LEVAL

GEORGE P. LEVENDIS
LAWRENCE A. LEVIT
ALAN R. MALASKY
STEWART S. MANELA
CORALYN G. MANN
EUGENE A. MASSEY
WAYNE H. MATELSKI
STUART R. MATTHEWS
VONYA B. McCANN
JOHN C. McCOY, JR.
EUGENE J. MEIGHER
JAMES P. MERCURIO
LAWRENCE G. MEYER
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DAVID M. OSNOS
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THOMAS SCHATTENFIELD
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MALVERN J. SHEFFIELD, JR.
JAMES E. SHOWEN
ALLEN G. SIEGEL
JOEL N. SIMON
H. VAN SINCLAIR
CHRISTOPHER SMITH
DANIEL C. SMITH
MARILYN D. SOHN
G. COPE STEWART III
CARTER STRONG
WILLIAM B. SULLIVAN
[illegible] THIENG TAN
PETER TANNENWALD

DAVID TILLOTSON
DANIEL F. VAN HORN
BARBARA S. WAHL
RICHARD J. WEBBER
ARNOLD H. WEISS
STEPHEN J. WEISS
ARNOLD R. WESTERMAN
BURTON V. WIDES
JOHN J. YUROW
LYNDA S. ZENGERLE

—

JENNIFER A. ALBERT
CAROLYN B. ANDERSON
DAVID J. ARONOFSKY
THOMAS W. A. BARHAM
JOYCE L. BARTOO
ROBERT L. BAUM
PATRICIA A. BENZINGER
JAY L. BIRNBAUM
RANDALL J. BOE
ANNE D. BOLLING
RICHARD L. BRAND
JENNIFER BROOKE DAVIDSON
ALLAN A. CAPUTE
RONALD L. CASTLE
CLAUDETTE M. CHRISTIAN
MARYANNE COURTNEY
DANIEL A. CUNNINGHAM
DARRAGH J. DAVIS
MORRIS F. DeFEO, JR.
MICHAEL J. DeSANTIS
DEIRDRE E. DONAHUE
MARY JOANNE DOWD
G. MONIQUE ESCUDERO
JEREMY B. FOX
LORIE S. GALDEA

LEONARD S. GOODMAN
HENDRIK GORDENKER
RICHARD J. HAKIM
SCOTT A. HALPERT
KATHRYN T. HARRIS
NANCY S. HEERMANS
JEFFREY P. HILDEBRANT
ROBERT A. HILL
R. STEVEN HOLT
ANNE TOLSON HOSKINSON
JACKIE HUCHENSKI
JEFFREY E. JORDAN
MARK M. KATZ
DAVID L. KELLEHER
JOAN D. KLEINMAN
ROBERT S. KOPPEL
BETH L. KRAMER
CYNTHIA H. LEE
SHARON LINDAN
DORIS E. LONG
EDWARD J. LYNCH
SUSAN A. MARSHALL
GERALD P. McCARTIN
DOUGLAS B. McDONALD
DONALD C. McLEAN
STEVEN R. MILES
AILEEN H. MILLER
JONATHAN MILLER
DONALD B. MITCHELL, JR.
GERALD L. MITCHELL
BRUCE J. MOLDOW
FERENC E. MOLNAR
HENRY MORRIS, JR.
GENA COHEN MOSES
ELIZABETH R. MULLER
KATHERINE H. NAM
JOANNE OCHSMAN
JOHN M. PACKMAN
V. DANIEL PALUMBO
CALLIE GEORGEANN PAPPAS

EVA M. PLAZA
DEBORAH A. RANDALL
STEVEN A. ROBINS
C. GREGORY ROGERS
MARTHA PURCELL ROGERS
MARGARET ROGGENBACK
LEWIS ROSE
ROBIN ROWLAND
JOEL D. RUBIN
GERALD S. SAVITSKY
CHESTER R. SHIELDS
SHERYL L. SILLORMAN
FRED S. SOMMER
KAREN MALOY SPRECHER
MICHAEL L. STEVENS
KENNETH P. TROCCOLI
CARL A. VALENSTEIN
KATHLEEN A. VOELKER
KENNETH L. WAGNER
STEVEN P. WARD
ROBERT J. WATERS
STEVEN W. WIDERMAN
GERALD ZIMBONE

COUNSEL

MARK E. ALBERTA
ALBERT E. ARENT
SAAD S. EL-FISHAWY*
HENRY J. FOX
SUSAN HARRIS
EDWIN L. KAHN
HARRY M. PLOTKIN
ROBERT L. WILLMORE

*Accredited by D.C. Court of Appeals as Special Legal Consultant: Egypt

In Maryland
Bethesda Crescent
7475 Wisconsin Avenue
Bethesda, Maryland 20814-3413
(301) 657-4800

In Virginia
JTL Tycon Towers I
8000 Towers Crescent Drive
Vienna, Virginia 22182-2733
(703) 847-5800

Writer's Direct Dial Number
(202) 857-6292
(202) 857-6461

May 31, 1989

BY HAND DELIVERY

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Bldg.
Washington, D.C. 20215

Re: H.R. 1917, a bill to amend the Harmonized Tariff Schedule of the United States to provide duty-free treatment for certain electronic reading products

Dear Mr. Leonard:

This letter is submitted pursuant to the May 3, 1989 Subcommittee on Trade Release regarding certain tariff and trade bills. The purpose of this letter is to convey the position of Franklin Computer Corporation, 122 Burrs Road, Mt. Holly, New Jersey 08060 ("Franklin"), with respect to H.R. 1917, a bill to provide duty-free treatment for certain electronic reading products.

1. Background.

Franklin's line of electronic reference products are self-contained dictionaries and thesauruses. No peripheral equipment is needed to utilize these products. The basic definitions and entries found in the Merriam-Webster Dictionary and Thesaurus are contained on a read only memory

Telephone: (202) 857-6000 Cable: ARFOX Telex: WU 892672 ITT 440266 Telecopier: (202) 857-6395

("ROM") which is incorporated in the Franklin reference products. The definitions and entries are transmitted from the ROM to the reading screen in response to reader query, which query is communicated via a standard keyboard.

Franklin subcontracts for the manufacture of these products in Hong Kong and South Korea. Franklin imports these products into the United States, where it maintains a sales and distribution network, as well as substantial engineering, development and technical support personnel.

Electronic reference products comprise an increasingly important segment of Franklin's domestic operations. Franklin's sales of such products have increased from approximately $1.3 million for the period December, 1986 through March 31, 1987 to approximately $27 and $60 million for the periods April 1, 1987 through March 31, 1988 and April 1, 1988 through March 31, 1989, respectively.

Since 1986, Franklin has been the industry leader in the electronic reference products market. Franklin pioneered the technology for such products and continues to lead advancements in the industry. All of Franklin's engineering and technical development takes place in the United States.

Prior to adoption of the Harmonized Tariff System on January 1, 1989, the Franklin reference products were classified under Item No. 676.3090 "office machines not specifically provided for" of the Tariff Schedule of the United States ("TSUS"). The TSUS did not contain a specific provision for dictionaries.

In a letter dated January 24, 1989, Franklin requested that the United States Customs Service ("Customs") classify its electronic dictionaries and thesauruses under Subheading 4901.91 "Other: Dictionaries ..." of the new Harmonized Tariff Schedule of the United States ("HTSUS") which is accorded duty-free treatment. Subheading 4901.91 is included in Chapter 49 of the HTSUS and is subject to the scope of Heading 4901, which encompasses "printed books, brochures, leaflets, and similar printed matter ... " On May 10, 1989, Customs issued a ruling which held that the Franklin products are not "similar printed matter" for the purposes of Heading 4901 and therefore do not qualify for classification under the dictionary subheading. Customs, therefore, classified the Franklin products under HTSUS 8472.90.80, "other office machines."

Due to this determination by Customs, Franklin has proposed adoption of H.R. 1917. This bill would provide duty-free treatment for a limited set of products which, standing on their own (i.e. no peripheral equipment would be necessary for such product's operation), perform the same function as the printed matter enumerated in Heading 4901 of the HTSUS. Franklin urges adoption of H.R. 1917, because (a) the policy of facilitating trade in educational materials applies with the same force to electronic reading matter as to reading matter printed by more traditional means, and (b) the provision of duty-free treatment to such products would have a beneficial impact on the U.S. economy.

2. Duty-Free Treatment of Educational Materials.

The Franklin products should be accorded duty-free treatment under the policy rationale for educational materials. Dictionaries and thesauruses are a subset of books which, under long-standing U.S. and international practice, are accorded duty-free treatment as educational materials. Since the Franklin electronic dictionaries and thesauruses fulfill the same function as a bound dictionary or thesaurus, they should be granted duty-free treatment, whether classified in Chapter 49 or 84.

In this connection, Franklin maintains several programs with respect to the educational utilization of its line of electronic reference products. On March 2, 1989 Franklin announced a grant of electronic reference products with an aggregate value of $186,000 to 37 schools nationwide. The grant is intended to help these schools contribute to students' writing, language arts, spelling and reference skills at the primary and secondary level, and also in vocational, adult and special education.

The grant is co-sponsored by the Institute for the Transfer of Technology to Education, the technology arm of the National School Boards Association. The schools awarded this grant will be part of an ongoing study to gauge the impact of electronic reference technology on the education of American students. One such study recently completed by Indiana University of Pennsylvania revealed that students at the fourth grade level, after having used a Franklin electronic reference product, were able to identify and correct misspelled words with a proficiency equal to sixth graders using a conventional dictionary.

3. The United States Economy.

According duty-free treatment to the Franklin products would have no adverse effects on the U.S. economy. To the contrary, such status would lead to several identifiable benefits to the domestic economy.

Duty-free status for these products would allow Franklin to reduce its costs and further increase domestic sales of electronic reference products. This would lead to an increase in Franklin's U.S. sales, distribution, engineering and technical support work force (which currently numbers approximately 160 employees). Increased sales of the Franklin products also would result in greater royalty payments to Merriam-Webster, Inc., a U.S. corporation ("Merriam-Webster"), under Franklin's exclusive license arrangement with Merriam-Webster. Further development of the U.S. market for electronic reference products also would facilitate a plan currently under consideration at Franklin to transfer some electronic reference product manufacturing facilities to the United States, if economically viable.

To the best of Franklin's knowledge, neither its present competitors (Texas Instruments, Inc.; Smith-Corona Corporation; Seiko Instruments, Inc.; Selectronics, Inc.) nor any potential competitor manufactures or intends to manufacture electronic reference products in the United States. Thus, there is no indication that an adverse impact on U.S. industry would result from duty-free treatment.

4. Conclusion.

Franklin believes that strong policy grounds exist for according duty-free treatment to its electronic reference products. Duty-suspension treatment would be an acceptable alternative to a permanent tariff change, if a permanent change proves to be significantly controversial upon interagency review of H.R. 1917.

For the above stated reasons, we request that the Trade Subcommittee report H.R. 1917 favorably to the Committee on Ways and Means.

If we can be of any further assistance in this matter, please contact us.

Sincerely yours,

Stephen L. Gibson

Patrick R. Ratigan

H.R. 1919

To suspend temporarily the duty on wicker products.

AVON PRODUCTS, INC.
9 WEST 57TH STREET
NEW YORK, N.Y. 10019

MEMORANDUM IN SUPPORT OF DUTY SUSPENSION ON WICKER PRODUCTS

Avon Products, Inc. (Avon), headquartered at 9 West 57th Street, New York, NY 10019, strongly supports H.R. 1919, a bill to suspend temporarily the duty on wicker products. H.R. 1919 was introduced by the Honorable Bill Green of New York on April 13, 1989. Avon imports substantial quantities of these items, primarily as baskets.

Avon Products, Inc., with worldwide sales of $3 billion, is the world's leading beauty company. The Avon brand is sold directly to customers in their homes by sales representatives who are independent contractors. In addition, Avon's prestige fragrances of Giorgio, Parfums Phenix and Parfums Stern are sold through department stores.

Avon's beauty products are marketed in 85 countries. The company employs more than 30,000 people and has a worldwide sales organization of more than 1.4 million representatives, of which 425,000 are in the United States.

Avon requests duty suspensions for certain products made of bamboo, fern, rattan, or other vegetable materials. The current general rate of duty for these products ranges from 3.0% ad valorem to 10.0% ad valorem. Although the duties Avon pays every year are substantial from the company's point of view, they are negligible as a source of federal revenues (see Attachment A). The suspension of these duties is not likely to have an adverse impact on domestic producers of wicker products.

Industry analysts at the various executive agencies responsible for domestic industry analysis are not aware of any significant U.S. manufacturers of these products. The products of the existing domestic wicker industry do not compete with the products Avon imports.

The Harmonized Tariff Schedule of the United States lists these articles (HTS subheadings 4602.10.11, 4602.10.13, 4602.10.19, 4602.10.40 and 4602.10.50, formerly TSUS items 222.40, 222.42, 222.44, 222.60 and 222.62 respectively - see Attachment B) as duty free under the Generalized System of Preferences (GSP), the Caribbean Basin Initiative (CBI) and the U.S.-Israel Free Trade Area (FTA) Agreement - a clear indication that duty-free importation of wicker products poses no significant adverse impact for possible domestic products.

Import statistics for these tariff items indicate that imports were $125 million in 1987 and $135 million in 1988. Because of duty-free treatment enjoyed under the GSP and the CBI programs, most of the imports under these tariff headings already enter the United States free of duty (only 46% of the import value was dutiable in 1987; in 1988 duties were assessed on only 45% of the value of total imports).

Avon has a long-standing relationship with suppliers of these products from countries that do not enjoy duty-free treatment. To date, Avon's efforts to find duty-free sources for these products were unsuccessful, the reason being difficulties in locating suppliers in these countries who could meet Avon's combined requirements of pricing, delivery schedules and volume. The prices Avon is currently paying its dutiable sources are lower than the asking prices of qualified suppliers from duty-free sources. Suppliers from duty-free countries with lower prices were not able to meet Avon's volume requirements for wicker products, which amount to about 4-5 million items per year. The current situation is adverse to the U.S. importers and to American consumers and does not help any significant domestic industry. Therefore, Avon respectfully requests a general duty suspension.

Attachment A

IMPORTS OF WICKER PRODUCTS BY AVON PRODUCTS, INC.

Year	Value of Imports ($)	Duties Collected ($)
1987	1,714,140	105,423.48
1988	2,592,937	161,165.25
1989*	2,251,808	158,778.15

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* Projected.

Attachment B

" * " Indicates the items included in this request for duty suspension.

HARMONIZED TARIFF SCHEDULE of the United States

Annotated for Statistical Reporting Purposes

	Heading/ Subheading	Stat. Suf. & cd	Article Description	Units of Quantity	Rates of Duty General	Rates of Duty Special	2
	4602		Basketwork, wickerwork and other articles, made directly to shape from plaiting materials or made up from articles of heading 4601; articles of loofah:				
	4602.10		Of vegetable materials:				
	4602.10.05	00 7	Fishing baskets or creels	No.	5%	Free (A,E,IL) 4% (CA)	45%
			Other baskets and bags, whether or not lined:				
*	4602.10.11	00 9	Of bamboo	No.	10%	Free (A,E,IL) 8% (CA)	50%
	4602.10.12	00 8	Of willow	No.	5.8%	Free (A,E,IL) 4.6% (CA)	50%
*	4602.10.13	00 7	Of rattan or of palm leaf	No.	10%	Free (A,E,IL) 8% (CA)	90%
*	4602.10.18	00 1	Other	No.	4.5%	Free (A,E,IL) 3.6% (CA)	50%
			Luggage, handbags and flatgoods, whether or not lined:				
	4602.10.21	00 7	Of bamboo	No.	12.5%	Free (IL) 10% (CA)	50%
	4602.10.22	00 6	Of willow	No.	5.8%	Free (IL) 4.6% (CA)	50%
			Of rattan or of palm leaf:				
	4602.10.23	00 5	Articles of a kind normally carried in the pocket or in the handbag	No.	18%	Free (A,E,IL) 14.4% (CA)	50%
	4602.10.25	00 3	Other	No.	18%	Free (IL) 14.4% (CA)	50%
	4602.10.29		Other		5.3%	Free (IL) 4.2% (CA)	50%
		20 5	Handbags	No.			
		40 1	Other	No.			
			Other:				
*	4602.10.40	00 4	Of one or more of the materials bamboo, rattan, willow or wood	X	6.6%	Free (A,E,IL) 5.2% (CA)	45%
*	4602.10.50	00 1	Other	X	3%	Free (A,E,IL) 2.4% (CA)	25%
	4602.90.00	00 5	Other	X	5.3%	Free (A,E,IL) 4.2% (CA)	60%

BURLINGTON
BASKET COMPANY
PO BOX 808, BURLINGTON, IA 52601 319/754-6508

May 30, 1989

Dan Rostenkowski, Chairman
House Ways & Means Committee
1102 LHOB
Washington, DC 20515

Dear Honorable Rostenkowski:

I am writing to you in reference to bill H. R. 1919 in which they are considering suspending duties on imported wicker products. As a manufacturer of domestic made wicker, we do not believe this would be a fair law to consider.

Presently if we ship into other countries we have to pay duties on our products going into theirs. With consideration of the fact that their labor is so inexpensive, it would make it an uncompetitive atmosphere for domestic manufacturers.

Years ago we produced a large percentage of the Easter basket business in this country. That was lost to the importers of wicker because of the fact that we could not compete with their low labor factor they could use to be competitive against us.

Presently Iowa has passed a bill raising the minimum wage for $4.65, which makes Iowa the highest minimum wage State in the Union. Now for Congress to pass a law suspending duties on wicker products is just putting another nail in the domestic manufacturers coffin.

We have been in business for 100 years and employ approximately 220 people. We do not feel that it would be fair to our people to have their jobs jeopardized by foreign labor. We feel that Congress should seriously consider this bill and defeat it. As you know, Japan and some of the other countries in the Far East have not been as equitable on their duties as we are being with them and to give them another free hand would be a mistake.

Thank you for your time and consideration.

Sincerely,

BURLINGTON BASKET COMPANY

Rick L. Thompson

Rick Thompson
Vice President-Sales

RLT/kw

H.R. 1920

To extend for 5 years the existing suspension of duty on stuffed dolls, certain toy figures, and the skins thereof.

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

May 30, 1989

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Ways & Means Committee
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your request for comment on certain tariff and trade bills, as announced in Committee Press Release #10 dated May 3, 1989. The American Textile Manufacturers Institute (ATMI) is writing in opposition to H.R. 1920, H.R. 1989, and H.R. 1990, three bills relating to the suspension of duties on stuffed dolls and certain toy figures, unstuffed dolls, and unstuffed toys.

With regard to stuffed dolls and certain toy figures, the current suspension is scheduled to expire at the end of 1990. H.R. 1920 would delay the expiration date until December 31, 1995. The other two measures, H.R. 1989 and H.R. 1990, would temporarily suspend until December 31, 1995 the existing duties on certain unstuffed dolls and toy figures.

Various components of these products, such as fabric and doll wig yarn, are directly competitive with products manufactured in the United States. For this reason, ATMI opposes H.R. 1920, H.R. 1989 and H.R. 1990, and recommends that the Subcommittee on Trade not give them favorable consideration.

We appreciate the opportunity to comment on these bills and would ask that this letter be made a part of the record.

Sincerely,

Carlos Moore

Carlos Moore
Executive Vice President

CM/rfd

CRAFTED WITH PRIDE IN USA

Tel: 202/862-0500 Fax: 202/862-0570 Twx: 710-822-9489

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

June 13, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
House Ways & Means Committee
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

In a May 30 letter to you in response to your request for comments on certain tariff and trade bills, as announced in Committee Press Release #10, the American Textile Manufacturers Institute (ATMI) stated our opposition to H.R. 1920, H.R. 1989, and H.R. 1990. These bills are related to the suspension of duties on stuffed dolls and certain toy figures, unstuffed dolls, and unstuffed toys.

We have since determined that the products covered in H.R. 1990 do not contain textile materials and, as a result, we withdraw our objections to that bill.

Also, after discussions with the author of H.R. 1920, ATMI submits the attached technical amendments to the proposed legislation. Assuming that the technical amendments which meet our concerns are incorporated in the bill, then ATMI withdraws our objections to H.R. 1920 as well. This change is supported by the bill's sponsor.

Finally, we have also met with the author of H.R. 1989 and, pursuant to that discussion, ATMI submits the enclosed technical amendment to be incorporated in the legislation. Once again, we withdraw our objections on the assumption that the technical amendment, which is supported by the bill's sponsor, will be accepted.

Thank you for allowing ATMI to revise our comments on these bills and we would ask that this letter be made a part of the record.

Sincerely,

Carlos Moore
Carlos Moore
Executive Vice President

CM/rfd

Enclosure

CRAFTED WITH PRIDE IN USA

Tel: 202/862-0500 Fax: 202/862-0570 Twx: 710-822-9489

5/26/89

TECHNICAL AMENDMENTS TO HR 1920

9902.71.13	Jewelry provided for in 7117.19.50 or 7117.90.40 (except parts), valued not over 20 cents per dozen pieces and articles (except parts) provided for in heading 9502, 9503, or 9504 or subheading 9505.90.00 (except balloons, marbles, dice and diecast vehicles), valued not over five cents per unit.
9902.95.01	Stuffed dolls representing only human being, whether or not dressed, and doll skins for stuffed dolls (provided for subheading 9502.10.20 or 9502.99.10)
9902.95.02	Toys representing animals or non-human creatures, stuffed or filled, not having a spring mechanism and not exceeding 63.5 cm in either length, width or height (provided for in subheading 9503.41.10 or 9503.49.0020)
9902.95.04	Skins for stuffed toys representing animals and non-human creatures (provided for in subheading 9503.41.30)

Mattel Toys

Mattel, Inc.
Customs Administration
P.O. Box 326
Hawthorne, CA 90250-0326
TELEX 188155 or 188170
FAX 213 978 7432
Telephone 213 978 5150

May 30, 1989

The Honorable Sam M. Gibbons FC/905/260
Chairman of the Subcommittee on Trade,
Committee on Ways and Means,
U.S. House of Representatives
C/O Mr. Robert J. Leonard
Chief Counsel
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Gibbons:

This is in response to your request for written testimony for the record from interested parties on various tariff and trade bills.

Mattel, Inc. is in full support of the enactment of H.R. 1989 (To suspend temporarily the duty on certain unstuffed dolls), H.R. 1990 (To suspend temporarily the duty on certain unstuffed toys) and H.R. 1920 (To extend for 5 years the existing suspension of duty on stuffed dolls, certain toy figures, and the skins thereof).

We are a U.S. company headquartered in Hawthorne, California, employing approximately 2,500 U.S. employees. Mattel is believed to be the second largest toy company in the world based on revenues. The company has over 30 domestic and foreign subsidiaries. In addition to its headquarters in Hawthorne, Mattel maintains sales offices in California, Illinois, New York and Texas.

We believe that the suspension of duties on unstuffed dolls and toys, and the extension of the suspension of duties on stuffed dolls and certain toys would significantly enhance our competitiveness and that of other members of the U.S. toy industry, without harming any U.S. companies that are manufacturing toys in the United States. The duty suspensions would be of substantial benefit to U.S. consumers.

The tariff items affected by these three bills are generally recognized as being free of import sensitivity. The lack of import sensitivity is due to the fact that the U.S. toy industry is highly rationalized and sources the bulk of its product line offshore. Because most toys have a high labor content, U.S. companies were forced over the past two decades to shift their production overseas in order to remain competitive with foreign manufacturers. Furthermore, the volatility the U.S. toy market, where consumers' fancies can change rapidly and where most product lines exist for only a few years, requires that companies maintain flexible sourcing policies.

Today, the few U.S. production jobs that remain in the toy industry are concentrated in three areas:

- o toys whose manufacture is capital- and/or technology-intensive;
- o toys whose large size makes them too expensive to ship long distances; and
- o toys selling in specialized market segments whose manufacture requires sophisticated production techniques and strict quality control.

However, despite the shift of production jobs to low-wage countries, there remain thousands of U.S. jobs in the toy industry, most of which are inextricably linked to importing operations. These jobs include design, engineering, packaging, marketing, sales, finance, accounting, warehousing, distribution, cargo transportation and handling, brokerage and production scheduling. The success of Mattel and most other U.S. companies depends on this integration between their U.S. and offshore operations.

In sum, the suspension of duties on unstuffed dolls would enhance the competitiveness of U.S. toy companies and benefit U.S. consumers without adversely affecting U.S. producers. H.R. 1989, H.R. 1990 and H.R. 1920 would have a dramatic positive effect on Mattel's sales. The increased sales would clearly benefit our company's worldwide competitiveness, its U.S. workers and increase U.S. employment. For these reasons, Mattel urges Congress to pass H.R. 1989, H.R. 1990 and H.R. 1920.

Sincerely,

Fermin Cuza
Fermin Cuza
Assistant Treasurer
Foreign Trade Services

FC:ba

Serko & Simon
Counsellors at Law
Customs & International Trade Law

One World Trade Center . Suite 3371
New York, N. Y. 10048 . 212-775-0055
Telex: 426816 Trade   Cable: Trade Attys
Facsimile: 212-839-9103

Metropolitan Square . Suite 300
655 Fifteenth Street, N.W.
Washington, D.C. 20005 . 202-639-4017

Bank South Building . Suite 1400
Atlanta, Georgia 30303 . 404-659-4458

Banco de San Juan Building
Suite 302 . P.O. Box 3222
Old San Juan, P.R. 00904 . 809-723-3672

New York - May 30, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Bldg.
Washington, D.C. 20515

Re: Comments on HR 1920

Dear Mr. Leonard:

On behalf of our client, Russ Berrie & Company, Inc. (Russ Berrie) of Oakland, New Jersey, we are writing in support of HR 1920 introduced by Congressman Frank J. Guarini. This bill would extend for five years the existing duty suspension for stuffed dolls, certain toy figures and the skins thereof.

Russ Berrie is an importer and distributor of giftware, stuffed animals, toys and dolls. Its product line contains more than 10,000 different items which are sold and distributed throughout the country.

Russ Berrie's rapid growth over the past several years has been widely reported in the American business press. It is a public company listed on the New York Stock Exchange.

Russ Berrie sales in 1988 were in excess of $250,000,000, and it currently employs over 1,700 people. The company had 400 employees in this country in 1980 and sales exceeded $34,440,000. The company believes that price stability is important for future growth and profitability.

In times of reduced value of the U.S. dollar, Russ Berrie has found that the prices of many of the products it has purchased, have increased greatly.

HR 1920 would extend the current suspension of duties for stuffed dolls, certain toy figures and skins thereof and enable prices of these items to remain stabilized.

Legislative History:

Stuffed dolls are currently provided for under the HTSUSA in subheading 9502.10.2000/9902.95.01. The comparable provision under the previous Tariff Schedule of the United States Annotated (TSUSA) was 737.23 which was changed to 737.18/912.30.

Stuffed or filled toy figures of animate objects are currently provided for under HTSUSA subheading 9503.41.1000 or 9503.49.0000/9902.95.02. HR 1920 limits the size of the article so as not to exceed 63.5 centimeters in either length, width or height. These dimensions are the equivalent of the 25 inch limitation provided for in the previous TSUS item numbers 737.30 and 737.40/912.32.

Stuffed or filled toy figures of inanimate objects are currently provided for under HTSUSA 9503.49.0000/9902.95.03. The comparable provision under the previous TSUSA was 737.47/912.34.

Skins for stuffed toy figures of animate or inanimate objects are currently provided for under HTSUSA 9503.41.3000/9902.95.04. The comparable provision under the TSUSA was 737.51/912.36.

Stuffed dolls were granted GSP treatment on March 31, 1982 as a result of a petition filed by an ad hoc group of U.S. toy companies, the Government of Guatemala and the Government of Haiti.

HR 6867 of 1982 legislatively suspended duty for stuffed dolls, stuffed or filled toy figures of inanimate objects and skins for animate and inanimate objects until December 31, 1985. The legislation for temporary duty suspension of these items was based upon a finding by Congress that no U.S. industry would be harmed by the free entry of these articles, and that in fact there was little if any domestic production for said items.

HR 4848 which became law on August 23, 1988, not only retroactively extended the duty suspension for stuffed dolls, stuffed or filled inanimate objects and skins for stuffed animate or inaminate objects but also included stuffed or filled toy figures of animate objects in TSUSA items 737.30 or 737.40/912.32, which subsequently became 9503.41.1000 or 9503.49.0000/9902.95.02.

The U.S. toy industry imports almost all of its stuffed dolls and stuffed or filled toys. The principal reason for this is the high labor content of these items because they require considerable sewing and finishing by hand.

There is very little, if any, domestic production of stuffed dolls or toys, and there was no opposition to HR 4848.

The "1989 U. S. Industrial Outlook" published by the Department of Commerce (see copy attached) refers to dolls, toys games and childrens vehicles. However, the report does state that "the constant-dollar value of U.S. product shipments of dolls, toys, and games is expected to increase less than 1% in 1989." The long term prospects state that, adjusted for inflation, shipments of dolls, toys, and games are expected to increase 1% annually from 1989 to 1993.

The following are the U.S. Imports-Consumption IM 146 value statistics compiled by the Department of Commerce for stuffed dolls, stuffed toy figures of animate objects and stuffed or filled toy figures of inanimate objects.

Stuffed Dolls
IM 146 Statistics
1986-1988
(thousand dollars)

Dollar Value U.S. Imports	1986	1987	1988
Mexico	2,309	420	254
China	40,418	39,393	44,021
Korea	7,662	11,280	10,001
Hong Kong	57,177	9,800	4,178
Taiwan	55,713	50,361	67,477
Other	10,062	18,347	22,497
Total Imports	127,294	99,235	148,430

Stuffed Toy
Figures of Animate Objects
IM 146 Statistics
1986-1988
(thousand dollars)

Dollar Value U.S. Imports	1986	1987	1988
Mexico	791	3,335	1,067
China (PRC)	67,343	108,924	142,692
Korea	357,467	442,859	304,693
Hong Kong	27,551	23,544	7,765
Taiwan	161,610	178,050	75,993
Other	18,581	13,160	21,035
Total Imports	633,345	769,879	553,247

Toy Figures of
Inanimate Objects
Stuffed or Filled
(thousand dollars)

Dollar Value U.S. Imports	1986	1987	1988
Mexico	644	126	25
China (PRC)	4,594	3,124	4,331
Korea	5,230	6,894	4,176
Hong Kong	574	602	331
Taiwan	7,750	4,135	1,385
Other	446	356	169
Total Imports	19,238	15,239	10,420

The current legislation continues the duty suspension of the prior legislation (HR 4848) for stuffed dolls and stuffed toys not exceeding 25 inches in length, width or height.

To our client's knowledge, there has been little or no change in the conditions that prevailed at the time of the passage of HR 4848. There is little if any domestic production of stuffed toys with little growth in the toy industry projected over the next five years. An increase in the costs could have a damaging effect on the industry and could result in a loss of sales and jobs.

In the past four years the value of the dollar has dropped by approximately fifty percent. Even with a current rise in the dollar's value of 6%, prices for most imported products have increased sharply.

There is a real concern in the industry that continued increases in prices will result in reduced sales and a loss of domestic jobs in sales and distribution.

In the past year the Russ Berrie Company has had to lay off two hundred fifty employees, and the company lost sales of some $20 million. In 1989 these losses caused the company to take an additional write-off of $9.5 million in assets.

Since there is no U.S. production of these items, the granting of extended duty suspension will have no adverse effect upon the United States industry but will have a positive effect on the toy industry by increasing sales, employment and profits. Savings in cost will be passed on to the consumer and will result in increased sales. Increased sales will result in increased employment.

Therefore, on behalf of our client, Russ Berrie & Company, Inc., we strongly urge favorable consideration by the Ways and Means Committee of this bill to extend the duty suspension of HTSUSA heading 9902.95.01, 9902.95.02, 9902.95.03 and 9902.95.04 from 12/31/90 to 12/31/95.

We respectfully request an opportunity to appear at any scheduled hearing for HR 1920.

Thank you for your consideration of our request.

Sincerely,

SERKO & SIMON

Joel K. Simon

JKS/mem

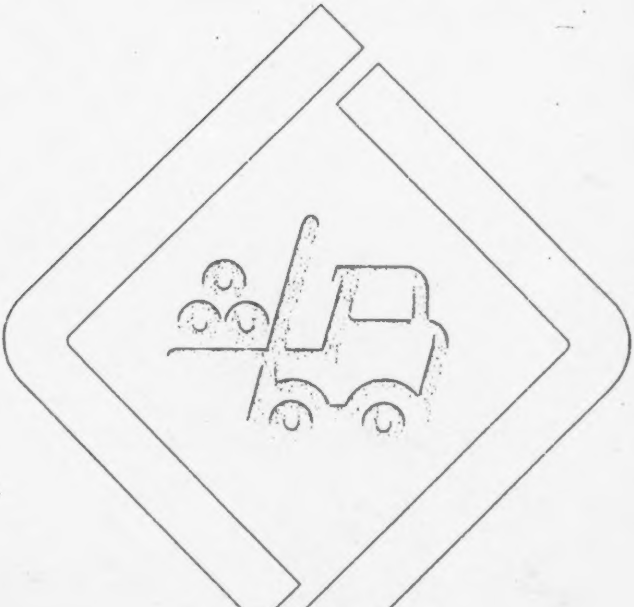
514

ASM

1986 Annual Survey of Manufactures

Value of Product Shipments

M86(AS)-2



U.S. Department of Commerce
BUREAU OF THE CENSUS

INTRODUCTION

GENERAL

This report contains estimates of the value of product-shipments during 1986 for approximately 1,750 classes of manufactured products for which information was obtained in the 1986 Annual Survey of Manufactures (ASM).

The 1986 product class estimates in the tables are based on reports from a representative sample of about 56,000 manufacturing establishments included in the survey. Comparative data from the 1985, 1984, and 1983 ASM, and the 1982 Census of Manufactures are also included.

SCOPE AND USE OF ANNUAL SURVEY

The 1986 Annual Survey of Manufactures is the 31st survey of this type conducted by the Bureau of the Census to provide for intercensal years the key measures of manufacturing activity for industry groups and important industries. These key measures, as well as other detailed statistics for manufacturing, were collected in the censuses of manufactures, the three most recent of which covered the years 1972, 1977, and 1982. An annual survey was conducted for each of the years between censuses starting with 1949.

During intercensal periods, these annual surveys provide a continuous series of basic statistics for industries, as well as furnish benchmarks for current business indicators and for measures of industrial production and productivity. The survey also provides significant data in connection with planning for industrial mobilization.

DESCRIPTION OF SURVEY SAMPLE

The statistics presented in the report are estimates compiled for a survey which is composed of two components. The mail portion of the survey is a probability sample of about 56,000 manufacturing establishments selected from a total of about 220,000 establishments. These 220,000 establishments represent all manufacturing establishments of multiunit companies and all single-unit manufacturing establishments mailed schedules in the 1982 Census of Manufactures. This mail portion is supplemented annually by a Social Security Administration list of new single-unit manufacturing establishments opened after 1982 and a list of new multiunit manufacturing establishments identified from the Census Bureau's Company Organization Survey.

The 1984 through 1986 ASM sample differs slightly from the previous sample. For the current panel, all establishments of companies with 1982 shipments in manufacturing in excess of $500 million were included in the survey panel with certainty.

There are approximately 500 such companies collectively accounting for approximately 18,000 establishments.

For the remaining portion of the mail survey, the establishment was defined as the sampling unit. For this portion, all establishments with 250 employees or more and establishments with a very large value of shipments were also included in the survey panel with certainty. A total of 12,100 establishments were selected from this portion of the universe with certainty. Therefore of the 56,000 manufacturing establishments included in the ASM panel, approximately 31,000 are selected with certainty. These certainty establishments collectively account for approximately 80 percent of the total value of shipments in the 1982 census.

Smaller establishments in the remaining portion of the mail survey were sampled with probabilities ranging from 0.999 to 0.005 in accordance with mathematical theory for optimum allocation of a sample. The probabilities of selection assigned to the smaller establishments were proportional to measures of size determined for each establishment. The measures of size depend directly upon each establishment's 1982 product class values and the historic variability of the year-to-year shipments of each product class. Product classes displaying more volatile year-to-year change in shipments at the establishment level were sampled at a heavier rate.

This method of assigning measures of size was used in order to maximize the precision (that is, minimize the variance of estimates of the year-to-year change) in the value of product class shipments. Implicitly, it also gave weight to differences in employment, value added, and other general statistics, since these are highly correlated with value of shipments. Individual sample selection probabilities were obtained by multiplying each establishment's final measure of size by an overall sampling fraction coefficient calculated to yield a total expected sample size.

The sample selection procedure gave each establishment in the sampling frame an independent chance of selection. This method of independent selection permits the rotation of small establishments out of a given sample panel without introducing a bias into the survey estimates.

The nonmail portion of the survey includes all single-unit establishments that were tabulated as administrative records in the 1982 Census of Manufactures. Although this portion contained approximately 130,000 establishments, it accounted for less than 2 percent of the estimate for total value of shipments at the total manufacturing level. This portion was not sampled; rather, the data for every establishment in this group were estimated based on selected information obtained annually from the administrative records of the Internal Revenue Service and the Social Security Administration. This administrative-record information, which includes payroll, total employment, industry classification, and physical location of the establishment, was obtained under conditions which safeguard the confidentiality of both tax and census records. Estimates of data other than payroll and employment for these small establishments were developed from industry averages.

The corresponding estimates for the mail and nonmail establishments were added together, along with the base-year differences, as defined in the Description of Estimating Procedure section, to produce the figures shown in this publication.

DESCRIPTION OF ESTIMATING PROCEDURE

Most of the ASM estimates for 1985 were computed using a difference estimation procedure. For each item, the difference between the 1982 census published number for an item total and the linear estimate of the totals from the ASM sample was generated. These base-year differences were then added to the corresponding current-year linear estimates, which include the sum of the estimates for the mail and nonmail establishments, to produce the current-year estimates shown in this publication. Estimates developed by this procedure usually are more reliable than comparable linear estimates developed from the current sample data alone.

QUALIFICATIONS OF THE DATA

The estimates developed from the sample are apt to differ somewhat from the results of a survey covering all companies in the sampled lists but otherwise conducted under essentially the same conditions as the actual sample survey. The estimates of the magnitude of the sampling errors (the difference between the estimates obtained and the results theoretically obtained from a comparable, complete-coverage survey) are provided by the standard errors of the estimates.

The particular sample selected for the ASM is one of a large number of similar probability samples that, by chance, might have been selected under the same specifications. Each of the possible samples would yield somewhat different sets of results, and the standard errors are measures of the variation of all the possible sample estimates around the theoretical, comparable, complete-coverage values.

Estimates of the standard errors have been computed from the sample data for selected statistics in this report. They are presented in the form of relative standard errors (the standard errors divided by the estimated values to which they refer).

In conjunction with its associated estimate, the relative standard error may be used to define confidence intervals (ranges that would include the comparable, complete-coverage value for specified percentages of all the possible samples).

The complete coverage value would be included in the range:

1. From one standard error below to one standard error above the derived estimate for about two-thirds of all possible samples.

2. From two standard errors below to two standard errors above the derived estimate for about 19 out of 20 of all possible samples.

3. From three standard errors below to three standard errors above the derived estimate for nearly all samples.

An inference that the comparable, complete-survey result would be within the indicated ranges would be correct in approximately the relative frequencies shown. Those proportions, therefore, may be interpreted as defining the confidence that the estimates from a particular sample would differ from complete coverage results by as much as one, two, or three standard errors, respectively.

For example, suppose an estimated total is shown at 50,000 with an associate relative standard error of 2 percent, that is, a standard error of 1,000 (2 percent of 50,000). There is approximately 67 percent confidence that the interval 49,000 to 51,000 includes the complete-coverage total, about 95 percent confidence that the interval 48,000 to 52,000 includes the complete coverage total, and almost certain confidence that the interval 47,000 to 53,000 includes the complete coverage total.

In addition to the sample errors, the estimates are subject to various response and operational errors: errors of collection, reporting, coding, transcription, imputation for nonresponse, etc. These operational errors would also occur if a complete canvass were to be conducted under the same conditions as the survey. Explicit measures of their effects generally are not available. However, it is believed that most of the important operational errors were detected and corrected in the course of the Bureau's review of the data for reasonableness and consistency. The small operational errors usually remain. To some extent, they are compensating in the aggregated totals shown. When important operational errors were detected too late to correct the estimates, the data were suppressed or were specifically qualified in the tables.

As derived, the estimated standard errors included part of the effect of the operational errors. The total errors, which depend upon the joint effect of the sampling and operational errors, are usually of the order of size indicated by the standard error, or moderately higher. However, for particular estimates, the total error may considerably exceed the standard errors shown. Any figures shown in the tables in this publication having an associated standard error exceeding 15 percent may be combined with higher level totals, creating a broader aggregate, which then may be of acceptable reliability.

Each establishment included in the ASM is classified in a particular industry on the basis of its major activity for each particular year. In order to minimize the shifting of establishments from one industry to another, small establishments are retained in the industry in which they are classified in the 1982 Census of Manufactures. Larger establishments that report a change in their major activity from the previous period are retained in their previous years' classification unless the shift in activity is significant.

DESCRIPTION OF IMPUTATION PROCEDURE

The need for imputation in the ASM arises from several sources. Complete nonresponse, partial nonresponse, inconsistent reported data, and our desire to reduce the reporting burden for small manufacturers are the primary factors contributing to the need for imputation.

For purposes of the ASM, an item is considered to be an impute if the value was not directly reported on the questionnaire, directly derived from other reported items, directly available from supplemental sources, or obtained from the respondent during the analytical review phase.

In imputing records for nonrespondents, two basic approaches are followed. For most larger establishments, operational information is available from the prior-year ASM. Imputation for 1986 data for establishments with 1985 data available involves adjusting the corresponding 1985 data by estimates of the year to-year relative change. These estimates are developed based on employment and payroll data from the Bureau of Labor Statistics at the industry group (three-digit SIC) level and are then applied to the 1985 ASM prior-year establishment values for employment and payroll. The remaining data for the establishment are developed based on their prior-year relationship to these two control items. For nonrespondents that have no prior-year record available including establishments not included in the mail portion of the survey, administrative-record data for annual payroll and employment are used. For all other items, industry average relationships between these control items and the item to be imputed are used.

At the total manufacturing level, the overall imputation rate is approximately 7 percent of the published value of shipments figure for 1986. However, this rate varies widely by four-digit industry, five-digit product class, and State total. The median imputation rate for a four-digit industry was 10 percent; for a five-digit product class, the rate was some what higher; and for a State total, the rate was comparable to the four-digit industry.

PRODUCT CLASSES

A class of product is a grouping of individual products of an industry. It is designated by a five-digit code, the first four digits indicating the industry and the fifth digit, the specific group of products. The value of shipments for a class of product code presented here is on a wherever-made basis; i.e., it represents total shipments by all manufacturing industries (the industry in which the product class is primary and other industries in which the product class is secondary). In some cases, by definition, a product class is limited to the products of a particular manufacturing process. Wherever another product class accounts for additional production of the same end products, a cross reference is provided, e.g., meat packing plant products: 20116 pork, processed, made in meat packing plants (see code 20136). The total value of shipments of all product classes belonging to an industry is also shown on the same wherever-made basis. It is designated by the four-digit industry code followed by a dash (e.g., 2016 if the industry has more than one product class and by the four-digit industry code followed by another digit if the industry has only one product class, e.g., 20210). The four-digit product class aggregate is not the same as the total industry value of shipments given in other annual survey tables. This latter total comprises all shipments by establishments classified in the specified industry, including their shipments of product classes primary to other industries of product classes primary to the specified industry. The totals in this report are subject to sampling errors.

ABBREVIATIONS AND SYMBOLS

The following abbreviations and symbols are used in this publication:

—	Represents zero.
(A)	Standard errors of 100 percent or more.
(D)	Withheld to avoid disclosing data for individual companies; data are included in higher level totals.
(NA)	Not available.
(NC)	Not comparable.
(S)	Withheld because estimate did not meet publication standards on the basis of either the response rate or a consistency review.
(X)	Not applicable.
(Z)	Less than half the limit shown.
n.e.c.	Not elsewhere classified.
n.s.k.	Not specified by kind.
pt.	Part.
r	Revised.
SIC	Standard Industrial Classification.

Table 1. Value of Shipments for Product Classes: 1982 to 1986—Con.

[For meaning of abbreviations and symbols and explanation of terms, see introductory text]

Industry and product class code	Description	Value of product shipments (million dollars) 1986 A	1985 B	1984 C	1983 D	1982 E	Standard error of estimate¹ (percent) for column— A
38	INSTRUMENTS AND RELATED PRODUCTS—Con.						
3861-	Photographic equipment and supplies	14 803.1	14 951.8	15 954.4	14 900.1	14 990.4	1
38611	Still picture equipment	1 080.7	1 153.4	1 122.0	1 230.7	1 473.3	5
38612	Photocopying equipment	(D)	(D)	4 810.8	(D)	(D)	(X)
38613	Motion picture equipment	178.2	199.4	192.8	218.3	203.2	11
38614	Microfilming, blueprinting, and whiteprinting equipment	411.6	450.9	501.3	483.1	466.0	5
38615	Sensitized film and plates, silver halide type	4 395.2	4 272.7	4 296.4	4 234.9	4 154.7	1
38616	Sensitized paper and cloth, silver halide type	(D)	(D)	(D)	(D)	(D)	(X)
38617	Sensitized film, plates, paper, and cloth, except silver halide type	1 079.8	1 120.5	1 129.1	1 202.8	985.0	4
38618	Prepared photographic chemicals	1 180.2	1 198.0	1 060.3	1 148.1	988.8	4
38619	X-ray film and plates	(D)	(D)	(D)	(D)	(D)	(X)
38610	Photographic equipment and supplies, n.s.k.	(D)	(D)	(D)	(D)	(D)	(X)
3873-	Watches, clocks, and watchcases	1 045.6	853.0	1 013.9	975.8	1 121.8	3
38732	Clocks, timing mechanisms, time switches, and clock parts	507.8	495.7	505.3	458.3	475.1	5
38734	Watches with imported movements or modules	(D)	(D)	(D)	391.7	457.9	(X)
38736	Watches with domestic movements or modules	(D)	(D)	(D)		58.4	(X)
38737	Watchcases and parts for watchcases	49.8	62.9	72.0	68.7	70.5	6
38730	Watches, clocks, and watchcases, n.s.k.	55.9	62.2	67.4	67.0	60.0	6
39	MISCELLANEOUS MANUFACTURING INDUSTRIES						
3911-	Jewelry, precious metal	3 217.7	2 992.3	3 003.9	2 881.9	2 823.2	3
39111	Jewelry, made of platinum metals and karat gold	2 517.6	2 397.6	2 379.4	2 112.6	2 076.5	2
39112	Other jewelry, made of precious metals	278.2	264.9	283.9	418.3	411.0	16
39110	Jewelry, precious metal, n.s.k.	421.9	329.8	340.5	351.0	335.7	8
3914-	Silverware and plated ware	341.1	395.3	432.1	442.1	489.3	15
39141	Hollowware	189.9	214.1	242.2	207.8	208.2	9
39142	Flatware	124.5	149.8	165.6	217.4	266.1	37
39140	Silverware and plated ware, n.s.k.	25.7	31.2	24.4	16.9	15.1	12
3915-	Jewelers' materials and lapidary work	825.6	772.9	740.2	785.6	814.4	6
39151	Jewelers' findings and materials	458.9	462.2	450.7	487.6	494.4	9
39152	Lapidary work and diamond cutting and polishing	258.3	200.8	172.1	215.7	238.9	10
39150	Jewelers' materials and lapidary work, n.s.k.	108.4	109.8	117.4	82.4	81.0	2
3931-	Musical instruments	685.3	689.5	768.2	883.2	876.5	6
39311	Pianos	171.2	136.2	155.1	202.1	194.8	3
39312	Organs	102.1	132.4	139.5	177.0	177.7	4
39313	Piano and organ parts	55.7	49.9	79.6	90.2	94.1	25
39314	Other musical instruments and parts	282.5	291.0	310.4	360.5	346.4	12
39310	Musical instruments, n.s.k.	73.8	78.1	84.5	53.5	63.6	9
3942-	Dolls	248.0	309.0	612.5	554.2	523.8	18
39420	Dolls and stuffed toy animals	248.0	309.0	612.5	554.2	523.8	18
3944-	Games, toys, and children's vehicles	2 643.6	2 752.7	3 167.5	3 199.9	3 976.9	3
39443	Baby carriages and children's vehicles, except bicycles	237.7	310.2	311.3	356.8	315.1	4
39444	Toys, excluding games, hobbies, and electronic toys	1 271.9	1 310.7	1 430.8	1 381.4	1 329.5	4
39445	Hobbies and models	464.4	363.9	389.6	429.2	377.0	6
39446	Nonelectronic games	478.1	489.5	763.6	447.9	399.1	6
39447	Electronic games and toys³	21.2	103.8	125.2	390.4	1 347.8	61
39440	Games, toys, and children's vehicles, n.s.k.	170.3	174.7	147.1	214.1	208.5	11
3949-	Sporting and athletic goods, n.e.c.	3 395.0	3 242.1	3 284.2	3 126.7	3 160.8	3
39491	Fishing tackle and equipment	353.6	327.3	339.9	331.6	341.9	7
39492	Golf equipment	856.1	664.1	651.0	655.5	644.0	6
39494	Playground, gymnasium, and exercise equipment	570.9	646.5	712.4	678.2	531.4	8
39495	Other sporting and athletic goods, n.e.c.	1 355.9	1 386.9	1 400.8	1 158.7	1 314.1	4
39490	Sporting and athletic goods, n.e.c., n.s.k.	258.4	217.2	180.1	302.6	329.4	12
3951-	Pens and mechanical pencils	858.0	802.4	845.5	769.1	773.8	4
39511	Ball point and roller pens³	421.3	400.4	389.1	366.8	383.5	5
39512	Markers, fine point and broad tipped³	238.2	196.6	183.9	171.1	156.9	3
39513	Other pens, mechanical pencils, desk sets, and pen and pencil parts³	171.7	179.0	234.6	202.4	204.7	9
39510	Pens, markers, mechanical pencils, and pen points (refillable and nonrefillable), n.s.k.	25.8	26.4	38.0	29.0	28.7	44
3952-	Lead pencils and art goods	389.4	363.1	383.8	381.6	352.7	6
39521	Wood-cased pencils, crayons, and chalk³	243.0	214.9	221.5	200.3	183.5	8
39522	Artists' equipment	118.6	123.0	136.5	127.4	145.5	7
39520	Lead pencils, crayons, and artists' materials, n.s.k.	27.8	25.3	25.8	53.8	23.7	7
3953-	Marking devices³	338.7	337.8	347.9	381.3	328.9	14
39530	Hand stamps, stencils, and other marking devices³	338.7	337.8	347.9	381.3	328.9	14
3955-	Carbon paper and inked ribbons	733.0	738.3	726.4	820.5	793.8	7
39551	Inked ribbons, all types³	454.4	456.1	421.6	535.3	485.3	9
39552	Carbon paper, stencil paper, etc.³	250.7	250.2	270.2	255.7	282.0	9
39550	Carbon paper, stencil paper, and inked ribbons, n.s.k.	27.9	32.0	34.6	29.5	26.3	17
3961-	Costume jewelry	1 296.3	1 257.2	1 133.4	1 111.9	848.6	4
39610	Costume jewelry and costume novelties	1 296.3	1 257.2	1 133.4	1 111.9	848.6	4
3962-	Artificial flowers	307.4	290.9	290.1	268.8	238.0	9
39620	Feathers, plumes, and artificial flowers	307.4	290.9	290.1	268.8	238.0	9
3963-	Buttons	181.4	173.9	164.1	163.0	142.5	19
39630	Buttons and parts	181.4	173.9	164.1	163.0	142.5	19
3964-	Needles, pins, and fasteners	624.2	651.2	627.6	604.1	606.9	5
39641	Zippers and slide in fasteners	249.0	281.5	276.8	225.6	200.8	7
39642	Needles, pins, fasteners (except slide), and similar notions	330.9	329.4	311.6	335.2	364.4	8
39640	Needles, pins, and fasteners, n.s.k.	44.2	40.3	39.2	43.3	41.7	10
3991-	Brooms and brushes	809.1	786.9	863.6	792.0	763.7	9
39911	Brooms	185.4	169.1	154.7	128.9	134.2	16
39912	Paint and varnish brushes, rollers, and pads	217.7	184.9	254.0	214.6	223.0	22
39913	Other brushes	370.1	390.0	413.0	413.0	372.8	10
39910	Brooms and brushes, n.s.k.	35.9	42.8	41.8	35.4	33.7	5

See footnotes at end of table.

H.R. 1923

To suspend temporarily the duty on 2-Ethylanthraquinone.

BASF Corporation

BASF

May 19, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
US House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons notice of May 3, 1989, I am writing in support of H.R.1923, introduced by Representative Holloway, which provides for the temporary suspension of duty on 2-Ethylanthraquinone.

BACKGROUND

2-Ethylanthraquinone is used as a process, or intermediate, chemical in the manufacture of hydrogen peroxide. There are at least three U.S. producers of hydrogen peroxide.

USES

2-Ethylanthraquinone acts as a hydrogen carrier in the production of hydrogen peroxide. Hydrogen peroxide is used as an environmentally safe bleaching agent for pulp and paper, in chemical manufacturing and other textile, environmental and specialty uses. This chemical is currently imported from European Economic Community countries and Japan.

COMPETITIVE SITUATION

2-Ethylanthraquinone, to our knowledge, has never been nor is it currently produced in commercial quantities in the U.S.

Sincerely,

Jason E. Dayan

Jason E. Dayan, PhD.

H.R. 1924

To provide for a temporary reduction in duty on imported fresh, chilled, or frozen brussels sprouts.

No statements submitted.

H.R. 1925

To restore previous exemption for edible molasses containing more than 6 percent non-sugar solids.

WRITTEN TESTIMONY
OF
W. W. SPRAGUE, JR., PRESIDENT
SAVANNAH FOODS & INDUSTRIES, INC.
SAVANNAH, GEORGIA
TO
THE SUBCOMMITTEE OF TRADE
OF THE
HOUSE WAYS AND MEANS COMMITTEE
ON H. R. 1925

Mr. Chairman and Members of the Committee, it is with pleasure that I submit this testimony in support of the passage of H. R. 1925, an amendment to the Harmonized Tariff Schedule, which restores the previous non-quota status for edible molasses containing more than 6% non-sugar solids. We applaud the Committee's efforts to cure a mistake that occurred in the Omnibus Trade Act which erroneously placed a quota upon this tariff category, even though the International Trade Commission, in its most recent recommendations to the President, had voted not to recommend a quota on this tariff category and even though there has been no subsequent Presidential proclamation establishing such a quota.

Prior to the passage of the new Harmonized Tariff Schedule, edible molasses, also known in the trade as "cane juice molasses" or "syrup of cane juice" was classified in the superseded Tariff Schedules of the United States, Annotated, either under Item 155.30 or Item 155.35. The exact classification depended upon whether or not this product contained more than 6% soluble non-sugar solids, excluding any foreign substance that may have been added or developed in the product. The categorization of this product has been ratified by Treasury Decision 62-243 and a Customs Ruling Letter dated October 9, 1977, CLA-2:R:CD:MC047162 in which the Customs Service stated that "A Commodity from which no sugar strike has been taken, known as high test or invert molasses,............ is .....classifiable under either Item 155.30 or 155.35 TSUS depending on the soluble non-sugar solids content..."

On May 5, 1982, by Presidential Proclamation No. 4941, 47 Fed. Reg. 19662 (May 7, 1982), import restrictions were placed upon certain sugar categories. Under this Presidential Proclamation, Tariff Item 155.30 was included in these quota restrictions whereas Tariff Item 155.35 was not. This product has not been included in any subsequent proclamations which have restricted the importation of sugars or sugar containing products.

However, with the passage of the Omnibus Trade Act of 1988, the Harmonized Tariff Schedule separated former TSUS Item 155.35 into two categories: HTSA Item 1702.90.35, invert molasses containing more than 6% non-sugar solids, and HTSA Item 1702.90.40, non-inverted molasses containing more than 6% non-sugar solids. In the case of inverted molasses, the new tariff schedule indicated that this newly-created sub-category was quota-free. Whereas, for the previous quota free category of edible molasses containing more than 6% non-sugar solids, footnotes were affixed in the Tariff Schedule and references in the Additional U. S. Notes 2, 3(a)(i), 3(h)(i), and 3(i) of Chapter 17 indicated that sugar quotas were to be applied to this product.

Mr. Chairman, when this incorrect representation first appeared in the draft of the new Harmonized Tariff Schedule it was called to the attention of Mr. Eugene A. Rosengarden, Director of Office of Trade Affairs and Trade Agreements, U. S. International Trade Commission, by letter dated July 29, 1988, from Mrs. Helen B. Lowenstein, Vice president of the U. S. Cane Sugar Refiners Association. In this letter Mrs. Lowenstein correctly set forth the error:

> Identification of the products classified under 1702.90.35 and 1702.90.40 is essential in order to correct errors to the footnotes

> attached to 1702.90.40 and in references to 1702.90.40 and Notes 3 and 4.
>
> The products imported under 155.35 TSUSA have been called several different names such as invert molasses, high test molasses, cane juice molasses, Barbados molasses, syrup of cane juice, etc. The Customs' Court Decision (See 46 Cst CT. 267 (1961))has identified these products as syrup of cane juice from which sugar has not been extracted during its manufacture, regardless of the names applied to them commercially...
>
> In view of the fact that these products are not 'sugar' or 'sugar syrup,' references to subheading 1702.90.40 and Notes 3 and 4 are not only incorrect, they are unsupportable as they effect a substantive change in TSUSA.
>
> Footnotes 2 and 3 for subheading 1702.90.40 which subject the products of this subheading to quotas, fees, licensing and perhaps other regulatory restrictions are also incorrect and insupportable as they effect a substantive change in the TSUSA. No such restrictions are in effect for 155.35 TSUSA; the products are not sugar or sugar syrup; and there is no statutory or regulatory basis for imposing these restrictions.

In subsequent conversations with the U. S. International Trade Commission, Mrs. Lowenstein was informed that it was too late to cure this error as it was incorporated already in the draft of the Trade Bill, but that the affected parties could rely on the Presidential Proclamation authority to correct errors which was established by Section 1211 (c), (19 U.S.C. 3011(c)) of the Omnibus Trade Act. In a subsequent letter dated December 14, 1988, to Mrs. Lowenstein, Mr. Rosengarden reiterated in part:

> However, section 1211(c) (19 U.S.C. 3011(c)) of the Omnibus Trade Act gives the President authority until June 30, 1990, to proclaim changes to the HTS in order to insure that the coverage of previously proclaimed "Section 22" actions are preserved by the HTS conversion....
>
> The reference to subheading 1702.90.40 was added to Chapter 17, additional U. S. Notes 2, 3(a), 3(h)(i), 3(i,j) and 4 by the Trade Policy Staff Committee in the July, 1987, release of the draft HTS and appeared in the First Edition of the HTS... which was enacted by the Congress. Note 2 is apparently within the Section 1211(c) HTS modification authority.

Unfortunately, Mr. Chairman, upon subsequent investigation, we have discovered that Section 1211(c) limits the Presidential authority to specific errors in quotas established under Section 22 and does not give broad based authority to the President to correct any error. The quotas which purportedly apply to this Customs' category were not established under Section 22 authority of the Agriculture Adjustment Act of 1949, but were established under Headnote authority. Therefore, technically, this error could not be cured by the Presidential Proclamation process established by the Omnibus Trade Act. Thus, for this reason we seek a remedy through this legislative process which is our only other alternative.

Before the implementation of the Harmonized Tariff Schedule, Customs opinions had always upheld the non-quota status of this product. Therefore, after we raised the issue of this error with the International Trade Commission, and in an abundance of caution, we also sought a binding ruling from the U. S. Customs Service of the Department of Treasury on whether or not this product would be non-quotable, irrespective of the legislative error in the Omnibus Trade Act. In a binding ruling dated July 7, 1988, from the U. S. Customs Service, by Mr. Gene F. Maguire, Acting Area Director of the New York, reference CLA-2-01:S:N:NI:232 830539, the Customs Service ruled that this product would be non-quotable under the new Harmonized Tariff Schedule:

> The applicable HTS Subheading for the product not treated with invertase will be 1702.90.400 which provides for sugar syrups not containing added flavoring or coloring matter derived from sugar cane or sugar beets containing soluble non-sugar solids in excess of 6% by weight of the total soluble solids, other. The rate of duty will be 0.77 cents per liter.
>
> Syrups derived from sugar cane or sugar beets containing soluble non-sugar solids which are over 6% by weight of the total soluble solids are not subject to any quota restrictions. (Emphasis added).

Therefore, Mr. Chairman, although presently we are relying upon this Customs' binding ruling, nevertheless, because this error exists in the Harmonized Tariff Schedule, we feel the necessity to correct it by this legislation. Moreover, it is our understanding that Customs has recently adopted the policy of enforcing erroneously created quotas in the Harmonized Tariff Schedule until such errors are cured by Presidential Proclamation. We are uncertain of whether this policy could be extended to include a reversal of the present customs' binding ruling which grants this product non-quota status.

Mr. Chairman, we have made this legislation available to all segments of the domestic sugar producing industry in order to elicit their comments or concerns. As of this date, we have not received any objections from the industry. We are grateful that our colleagues in the industry agree that this is a technical correction that should be made. The original intention of the sugar import quotas was to protect the domestic sugar growing interests from imports which would materially affect the sugar support program. As was noted earlier in this testimony, on October 4, 1985, the International Trade Commission issued a report to the President in which it considered whether or not edible molasses imported under TSUS Item 155.35 did materially affect the sugar support program. In its recommendation to the President, the Commission found, pursuant to its investigation that the importation of this product was not being and was not practically certain to be imported in such quantities and under such conditions at to render or tend to render ineffective or materially interfere with the price support program. We are of the opinion that this decision continues to apply today.

Mr. Chairman, we feel that this decision of the International Trade Commission and the lack of any previous import quotas on this tariff category underscore the fact that this legislative error should not be compounded by a failure to correct it by this legislation. Therefore, we urge the Committee to vote in favor of the correcting language as set forth in H. R. 1925.

H.R. 1926

To suspend temporarily the duty on N-[[4-chlorophenyl)amino] carbonyl]-2,6-diflourobenzamide.

See contents pages for statements on this bill.

H.R. 1927
To suspend temporarily the duty on 2,6-dichlorobenzonitrile.

IBC

International Business-Government Counsellors, Inc.
818 Connecticut Avenue, N.W., 12th Floor, Washington, D.C. 20006

May 19, 1989

The Honorable Dan Rostenkowski
U. S. House of Representatives
2111 Rayburn House Office Building
Washington, D.C. 20515-1308

Dear Chairman Rostenkowski:

On April 13, at the request of Uniroyal Chemical Company Congresswoman Nancy Johnson introduced three duty suspension bills - H.R. 1926 (diflubenzuron), H.R. 1927 (dichlobenil) and H.R. 1928 (triflumizole). These chemicals are patented and consequently, only produced in The Netherlands and Japan where the licensing rights are held. The chemicals are imported in their raw form and processed into pesticides, herbicides and fungicides here in the United States. Many state and municipal governments use the Uniroyal products for gypsy moth and weed control programs. They are considered more environmentally safe than other similar products, and the EPA has determined that all three chemicals are non-carcinogenic.

To date, this year, 210 miscellaneous tariff bills have been introduced by House members. 151 of these bills are duty suspension bills or extensions of previous duty suspension bills. This all-time "high" can be attributed partly to the fact that a comprehensive miscellaneous tariff package was not passed last year. Uniroyal Chemical Company supports passage of a Miscellaneous Tariff Bill this year which includes the three bills introduced by Congresswoman Johnson.

The revenue loss for the Uniroyal request is not too great. Nevertheless, during 1989, a suspension in duty for these products would result in a savings of close to $727,805.00. For consumers, particularly states and municipalities, a suspension of duties will benefit by controlling high costs which are ultimately passed on to the marketplace.

I therefore strongly urge you, on behalf of Uniroyal Chemical Company, to support passage of a Miscellaneous Tariff package to be included in this year's Budget Reconciliation Bill. Thank you for your consideration.

Sincerely,

Jim Clawson

James B. Clawson
Executive Vice President

Telephone (202) 872-8181 • Fax: (202) 872-8696 • Telex: 440511 IBGC UI

COMMENTS OF UNIROYAL CHEMICAL COMPANY, INC.

MEMORANDUM IN SUPPORT OF H.R. 1926, A TEMPORARY DUTY SUSPENSION FOR N - [[(4-chlorophenyl) amino] carbonyl]-2,6-difluorobenzamide

(Diflubenzuron)

I. INTRODUCTION

These comments are submitted to the Subcommittee on Trade of the House Ways and Means Committee on behalf of Uniroyal Chemical Company, Inc. of Middlebury, Connecticut, in support of H.R. 1926, a bill to temporarily suspend the 13.5% ad valorem United States Customs duties on imported N - [[(4-chlorophenyl) amino] carbonyl]-2,6-difluorobenzamide (90%) and the 9.7% ad valorem duty plus $0.018/kg duty on N-[[(4-chlorophenyl) amino] carbonyl]-2,6-difluorobenzamide (25%) and inerts (75%) provided for under HTS subheadings 2929.90.10.00.3 and 3808.10.20.00.2 respectively, through December 31, 1994. Both of these products are known by their trade name, Diflubenzuron.

II. DESCRIPTION AND USES OF DIFLUBENZURON

The chemical Diflubenzuron, commonly known by its registered brand name "DIMILIN", is being imported under two separate HTS subheadings depending on the percentage of basic chemical composition. N-[[(4-chlorophenyl) amino] carbonyl]-2,6-difluorobenzamide (90%) or DIMILIN Tech, is the pure product with only a small percentage of inerts present. N-[[(4-chlorophenyl) amino] carbonyl]-2,6-difluorobenzamide (25%) is diluted with clay and other inerts (75%) to compose Uniroyal product DIMILIN 25. Both products are registered trademarks of Uniroyal Chemical Company, Inc.

DIMILIN was invented by Duphar B.V. of Holland, which is the sole producer and holds the U.S. registration. Duphar holds the patent for Diflubenzuron as well. This patent expires in 2003 - well after the requested duty suspension period. Uniroyal has an agreement with Duphar to import and sell Diflubenzuron in the United States for purposes of regulating the growth of harmful insect pests.

The chemical is used as an insect growth regulator. While often classified or referred to as an insecticide, it is not. As a growth regulator, DIMILIN has a unique mode of action. It inhibits the ability of the insect egg to hatch or the larvae to rupture the cuticle, thereby causing the insect to die before reaching maturity. This mode of action makes it less toxic to the environment than ordinary insecticides.

DIMLIN's primary uses include forestry applications (gypsy moth control), mosquito control, and control of pests which attack cotton, soybeans and Christmas trees. The US Department of Agriculture has approved DIMILIN as one of three products considered "very safe" for use in the treatment of the boll weevil in cotton. As part of a good integrated pest management program, DIMILIN can replace the toxic and nasty products previously used. DIMILIN is not toxic to birds, bees or fish. Dr. John Moore, Assistant Administrator of the EPA, is quoted in the book Silent Spring Revisited as follows:

> "Perhaps most encouraging is the recent practice of developing a pest management plan in which chemical pesticides are only a part of a multifaceted scheme. The emergent success story of boll weevil control in cotton production throughout the Carolinas is most illustrative. Through the use of the chemical dimilin(sic.), which has selective larvicidal and chitin-inhibiting properties, early season spraying with conventional chemical insecticides is

> not needed. Natural predators of other cotton pests that used to be destroyed by these sprayings are once again successful in keeping these pest species in natural balance."

Thirty percent of DIMILIN imports are used by State gypsy moth eradication programs. DIMLIN accounts for sixty five percent of the product in use by the States. It is clearly the chemical of choice.

Another important use of DIMILIN is for mosquito control. The World Health Organization approved the use of DIMILIN last year for mosquito control and it is being used successfully in the U.S. and many other countries because of its selective mode of operation, its low mammalian toxicity, its non-persistence in soils and hydrosoils, its lack of mobility in the environment and its low biological accumulation and magnification.

III. ENVIRONMENTAL CONCERNS

The Environmental Protection Agency (EPA) has never classified Diflubenzuron as a known or likely carcinogen. This has been confirmed by the office of Mr. Phil Hutton of EPA who is the EPA product manager for Diflubenzuron.

The EPA has tested Diflubenzuron on rats and mice for a lifetime at 10,000 parts per million (which is equal to 1% of their diet) and EPA found no incidents of increased tumors and no weight loss. One non-EPA study said that there could be slight carcinogenic characteristics. EPA determined that these tests were not conducted under proper conditions and therefore were inadequate as a definitive study. EPA basically discounted this study. EPA has advised Uniroyal that the EPA has no concerns that Diflubenzuron is carcinogenic.

EPA has divided pesticides into five kinds for purposes of assessing cancer risks: Group A (known carcinogens), Group B (probable human carcinogens), Group C (possible human carcinogens), Group D (carcinogenity not capable of assessment), and Group E (non-carcinogenic). Diflubenzuron is listed in Category E, which means that all testing has produced negative results concerning carcinogens.

Since the use and application of pesticidal chemicals is comprehensively regulated, EPA and other agencies continually review the properties of these materials as exhibited in particular uses. The purpose of this review is to establish standards for applications of these materials to various crops and flora to insure that no human or animal toxicity will result. While EPA has not found Diflubenzuron to be a carcinogen, the agency nevertheless routinely reviews the properties of these and other pesticidal products in the context of registration renewal. As part of such a routine review, the EPA included Diflubenzuron on its most recent list for review published in Appendix C of a *Federal Register* notice, October 19, 1988. Appendix B of this same *Federal Register* notice lists the EPA "Food Use Pesticides With Evidence of Carcinogenity". Diflubenzuron is not on this list.

IV. MANUFACTURE AND IMPORTATION

Diflubenzuron is not manufactured by any firm in the United States. Uniroyal Chemical is the company importing DIMLIN for use in regulating growth of insect pests. Uniroyal imports both the Tech grade and finished product. DIMLIN Tech grade is formulated into finished products at plants in Gastonia, North Carolina and Fresno, California. Another firm, American Cyanamid, also imports Diflubenzuron for use in animal health care applications. American Cyanamid has no objection to this legislation.

While there are other products that might conceivably be considered competitive, these are insecticides with very different modes of action and are therefore not in fact directly competitive.

V. COSTS/SAVINGS

DIMILIN is a high cost product with a high duty rate. It is not imported in great quantities since its use is selective although very important. Approximately 46,000 lbs. of Tech grade and 182,000 lbs. of DIMLIN 25 will be imported into the United States in 1989, having a total value of $3,295,168.00. The duty will be $377,315.00 on these products. Savings resulting from a temporary duty suspension could be passed on to growers and consumers.

VI. CONCLUSION

There are no U.S. manufacturers of DIMLIN. With the current small demand in the U.S., there is little likelihood that any U.S. company will seek a license to manufacture this chemical in the U.S.. Consequently, the enactment of a temporary duty suspension will not cause injury to United States manufacturers or other United States business interests. The product is environmentally safe and is important for agriculture and society. A temporary duty suspension will have a minimal revenue impact and may help encourage its further use in other applications.

For the foregoing reasons, Uniroyal Chemical Company, Inc. supports H.R. 1926, and requests that the Committee recommend its passage. The Company and its representatives will be happy to respond to any questions or requests for further information about this matter.

Respectfully submitted,

NEVILLE, PETERSON & WILLIAMS
39 Broadway, Suite 2201
New York, NY 10006
(212) 635-2730

By: John Peterson
JOHN M. PETERSON

INTERNATIONAL BUSINESS-
GOVERNMENT COUNSELLORS, INC.
818 Connecticut Avenue, NW
12th Floor
Washington, D.C. 20006
(202) 872-8181

By: James B. Clawson
JAMES B. CLAWSON

COMMENTS OF UNIROYAL CHEMICAL COMPANY, INC. IN SUPPORT OF H.R. 1927, A BILL TO SUSPEND TEMPORARILY THE DUTY ON 2,6-DICHLOROBENZONITRILE

I. INTRODUCTION

These comments are submitted on behalf of Uniroyal Chemical Company, Inc. of Middlebury, Connecticut, in support of H.R. 1927, a bill to temporarily suspend the United States Customs duty on 2, 6-Dichlorobenzonitrile and certain imported preparations containing this important anti-sprouting agent as an active ingredient.

II. DESCRIPTION AND USES OF 2,6-DICHLOROBENZONITRILE

Commonly known by the name Dichlobenil, 2,6-dichlorobenzonitrile is an important anti-sprouting agent widely used throughout the United States in the manufacture of agricultural and horticultural weed and seed control products. As the active ingredient in these products, Dichlobenil functions as a highly selective "pre-emergent" anti-sprouting agent. Simply stated, Dichlobenil prevents the seeds of weeds and similar horticultural pests from germinating, sprouting, and harming valuable agricultural and ornamental crops.

Uniroyal Chemical Company, Inc., an American corporation headquartered in Middlebury, Connecticut, imports and sells Dichlobenil under its trade name Casaron. Uniroyal imports Dichlobenil in two forms: Casaron technical grade, which is composed approximately 97% by weight of Dichlobenil, with small quantities of inert ingredients, and Casaron 85W, a mixture composed of between 85-90% Dichlobenil, plus inert ingredients (primarily calcium silicate and other clays), and minute quantities of surfactants.

After importation, both grades of Casaron are compounded with other inert ingredients -- again, primarily clays -- and minute amounts of surfactants, in order to manufacture anti-sprouting preparations, which are sold in the form of granules and wetable powders. Popular Casaron formulations distributed to United States end-users include Casaron 2G (2% Casaron as active ingredient) and Casaron 4G (4% Casaron as active ingredient). Growers further dilute these formulations in water and spray them on areas where seed and weed growth control is needed.

Anti-sprouting preparations made from imported Dichlobenil are used in many important agricultural and horticultural applications. For instance, Dichlobenil is without question the most selective pest control product for a wide variety of ornamental plant cultures. It prevents the growth of harmful broadleaf weeds, without injury the valuable ornamental growths. [By contrast, ordinary herbicide chemicals might destroy or injure ornamental plantings, as well as the harmful weeds]. Dichlobenil is also widely used by United States cranberry growers to control bog weeds harmful to their crops. Dichlobenil preparations are extensively used wherever cranberry crops are raised, especially in the New England states, the Upper Midwest (particularly Wisconsin) and the Pacific Northwest.

Dichlobenil preparations are used extensively in orchards and nurseries, and around municipal and commercial grounds and buildings. Paving contractors make frequent use of Dichlobenil preparations to kill weeds under asphalt. Dichlobenil can also be used in the manufacture of aquatic herbicides, and is particularly effective in controlling weeds such as hydrilla, whose uncontrolled growth has choked many waterways in the Southeastern United States.

In short, Dichlobenil is an important chemical used in the manufacture of seed and weed control preparations which are vital to the health of important United States agricultural and horticultural crops, and to the economic well-being of United States growers.

III. ENVIRONMENTAL CONCERNS

The Environmental Protection Agency (EPA) has never classified Dichlobenil as a known or likely carcinogen. This has been confirmed by Mr. Bob Taylor at EPA. He is the product manager for Dichlobenil.

EPA has divided herbicides into five kinds for purposes of assessing cancer risks: Group A (known carcinogens), Group B (probable human carcinogens), Group C (possible human carcinogens), Group D (carcinogenity not capable of assessment), and Group E (non-carcinogenic). Dichlobenil is listed in Category E, which means that all testing has produced negative results concerning carcinogens.

Since the use and application of pesticidal chemicals is comprehensively regulated, EPA and other agencies continually review the properties of these materials as exhibited in particular uses. The purpose of this review is to establish standards for applications of these materials to various crops and flora, to insure that no human or animal toxicity will result. While EPA has not found Dichlobenil to be a carcinogen, the agency nevertheless routinely reviews the properties of these and other pesticidal products in the context of registration renewal. As part of such a routine review, the EPA included Dichlobenil on its most recent list for review published in Appendix C of a *Federal Register* notice, October 19, 1988. Appendix B of this same *Federal Register* notice lists the EPA "Food Use Herbicides With Evidence of Carcinogenity". Dichlobenil is *not* on this list.

IV. MANUFACTURE AND IMPORTATION OF DICHLOBENIL

Under the Harmonized Tariff Schedule of the United States (HTS), 19 U.S.C. Section 1202, Casaron Technical Grade 2,6-Dichlorobenzonitrile is classifiable under HTS item 2926.90.10.00.6. This item provides specifically for "nitrile-function compounds: * * * Other: Aromatic * * * Dichlorobenzonitrile", with duty at a rate of 6.8% *ad valorem*.

Casaron 85W, a mixture containing 2,6-Dichlorobenzonitrile and other ingredients, is classifiable under HTS item 3803.30.10.00.0, which provides for "Herbicides, anti-sprouting products and plant-growth regulators: Containing any aromatic or modified aromatic herbicide, anti-sprouting agent or plant-growth regulator", dutiable at a rate of 1.8 cents per kilogram plus 9.7% *ad valorem*.

Dichlobenil is not manufactured by any firms in the United States. All Dichlobenil imported into the United States (and, consequently, all antisprouting preparations containing Dichlobenil sold in the United States) is manufactured in the Netherlands by Duphar, B.V. of Amsterdam, which controls all United States registrations for the product. Uniroyal has a contract with Duphar to import Dichlobenil for the purpose of producing pre-emergent weed growth controllers which prevent the germination of weed seeds. This is a contract which is automatically renewed each year unless notice is given by either company one year prior to cancellation. The terms of registration are controlled by Duphar. This is not like a patent in that other manufacturers may produce the chemical, but in order for it to be used for the same registered purpose a company must get approval from Duphar.

Dichlobenil is a narrow spectrum product and of limited demand. The incumbent costs to produce it in small quantities are uneconomic and consequently there is little incentive for U.S. companies to manufacture Dichlobenil. Uniroyal imports both Casaron Tech and Casaron 85W manufactured by Duphar. Dichlobenil formulations are produced by Uniroyal plants in Gastonia, North Carolina and Fresno, California. In addition, some of these preparations are manufactured by Uniroyal "toll" processors throughout the United States.

A second United States firm, P.B.I. Gordon of Memphis, Tennessee, formulates Dichlobenil preparations as well. Like Uniroyal, P.B.I. Gordon obtains all of the Dichlobenil which it uses from Duphar in the Netherlands. (Dichlobenil is produced by a company in Japan. However, the Japanese product is not registered or approved for use in the United States, and consequently is not imported or used here.)

Various herbicides produced in the United States are used in some of the same applications as Dichlobenil; however, none of these have the exact properties and functions of Dichlobenil, (e.g., for use on cranberries). Dichlobenil is not a herbicide, but rather a plant growth regulator; it does not kill or injure any existing plant or animal life, but it simply prevents development of harmful seeds. Consequently, it may be fairly said that Dichlobenil does not directly compete with any domestically produced products.

V. COSTS/SAVINGS

Casaron is a high cost product with a high duty rate. It is not imported in great quantities since its use is selective although very important. Uniroyal Chemical Company estimates that the total amount of Casaron Tech to be imported in 1989 will be 165,000 lbs. The total amount of Casaron 85W will be 190,000 lbs. The total combined value of these imports will be $ 4,027,545,00. The duty paid will be approximately $ 333,340.00. Savings resulting from a temporary duty suspension could be passed on to growers and consumers.

VI. SOUND PUBLIC POLICY SUPPORTS THE ENACTMENT OF H.R. 1927

Enactment of H.R. 1927 would provide important benefits for United States agricultural and horticultural industries, without harming domestic manufacture. Several factors support its enactment.

First, no United States firms presently manufacture Dichlobenil, nor do any intend to do. Only Duphar B.V. has obtained necessary approvals for the use of its Dichlobenil product in the United States. While some other herbicides are used for the same purposes as Dichlobenil, none are directly competitive with it. Consequently, the temporary suspension of duties for Dichlobenil will not injure any United States manufacturing interests. To the contrary, H.R. 1927 would provide a major benefit for the United States facilities operated by Uniroyal Chemical, P.B.I. Gordon, and their toll processors, which are engaged in the manufacture of anti-sprouting compounds which contain Dichlobenil.

H.R. 1927 would also provide an important benefit to United States growers and consumers. Customs duties currently represent a significant portion of the landed cost of Dichlobenil. This duty cost is passed along to distributors of Dichlobenil-containing products and, ultimately, to farmers, growers, municipal agencies and other uses of anti-sprouting products containing Dichlobenil. Temporary suspension of the tariff on Dichlobenil would allow United States formulators to import this essential chemical at lower costs and to manufacture anti-sprouting preparations more efficiently and inexpensively. Duty savings would be passed on to United States consumers, growers and farmers, and future price increases could be deferred of delayed.

Approval of H.R. 1927 will not significantly impact United States Customs duty revenues.

Consumers demand for Dichlobenil is relatively static, and it is expected that imports will not increase by more than 5,000 pounds per year. Enactment of H.R. 1927 would not affect this projection.

Finally, environmental considerations support H.R. 1927's enactment. As noted above, Dichlobenil is a selective and pre-emergent anti-sprouting agent. Unlike ordinary herbicides, which attack pests and plants after they have sprouted, often harming flora and fauna, Dichlobenil protects important crops by preventing the germination of harmful seeds. The use of Dichlobenil in the United States is carefully regulated by the United States Environmental Agency (EPA) to insure human and animal safety. Dichlobenil has been registered with EPA since 1964, and EPA has approved numerous Dichlobenil formulations for use in the treatment of broadleaf weeds and grasses and aquatic weeds in a wide variety of applications. Unlike many ordinary herbicides, Dichlobenil has never been classified by EPA as showing any evidence of carcinogenicity. The formulation, labelling and application of Dichlobenil-containing products are carefully regulated to insure that no adverse ecological consequences ensue from their use.

VII. CONCLUSION

For the reasons given above, Uniroyal Chemical Company, Inc. supports H.R. 1927, and requests that the Committee recommend its passage. Uniroyal stands ready to furnish any additional information which the Committee may require on this matter.

Respectfully submitted,

NEVILLE, PETERSON, & WILLIAMS
39 Broadway, Suite 2201
New York, NY 10006
(212) 635-2730

By: John Peterson
John M. Peterson

INTERNATIONAL BUSINESS -
GOVERNMENT COUNSELLORS, INC.
12th Floor
818 Connecticut Avenue, N.W.
Washington, D.C. 20006
(202) 872-8181

By: James B. Clawson
James B. Clawson

H.R. 1928

To suspend temporarily the duty on 1[1-((4-chloro-2-(triflouromethyl)phenyl)imino)-2-propoxethyl)-1H-imadazole.

COMMENTS OF UNIROYAL CHEMICAL COMPANY, INC.

MEMORANDUM IN SUPPORT OF H.R. 1928, A
TEMPORARY DUTY SUSPENSION FOR
1[1-((4-chloro-2(trifluoromethyl)phenyl)imino)
-2-propoxyethyl]-1h-imidazole

(Triflumizole)

I. INTRODUCTION

These comments are submitted to the Subcommittee on Trade of the House Ways and Means Committee on behalf of Uniroyal Chemical Company, Inc. of Middlebury, Connecticut, in support of H.R.1928, a bill to temporarily suspend through December 31, 1994, the 13.5% ad valorem United States Customs duty on 1[1-((4-chloro-2(trifluoromethyl)phenyl)imino)-2-propoxyethyl]-1h-imidazole provided for under HTS subheading 2933.29.30.00.9. This product is known by its trade name of Triflumizole.

II. DESCRIPTION AND USES OF TRIFLUMIZOLE

The chemical Triflumizole, known by its registered brand names in the United States ,"PROCURE and TERRAGUARD", falls under HTS subheading 2933.29.30.00.9. It is a powder which Uniroyal imports from Japan under exclusive license from Nippon Soda. Uniroyal formulates the imported technical grade material into "ready-to-use" active wettable powders. The product is utilized as a fungicide on ornamental plants and is being developed for use on deciduous fruits and to combat powdery mildew on grapes.

Triflumizole was invented by the Japanese company, Nippon Soda, which holds the patent and the U.S. registration. To our knowledge, Uniroyal is the only importer of Triflumizole. Uniroyal Chemical Company has an agreement to import and market the product and its compositions in the U.S. This license is effective as of January 1, 1989 and will be valid for 5 years.

In addition to its use to control cylindrocladium root rot disease on spathapyllum ornamental foliage plants, Triflumizole is being developed by Uniroyal to be utilized to control powdery mildew on grapes. Powdery mildew is one of the most devastating of the diseases to attack grapes. Each year, more than $15 million are spent in attempts to control this disease. Currently sulphur and Bayleton are the two main products employed in the fight against powdery mildew but sulphur is quite irritating to workers during the application process and in recent years, Bayleton is being reported as failing in control of mildew perhaps because of resistance being developed by the disease.

Triflumizole is also intended for use for the control of scab and mildew on apples. At present, Triflumizole is being developed by Uniroyal Chemical for registration on apples, pears, stonefruit, grapes and other crops. For these products, Triflumizole is currently for experimental use only. Triflumizole is registered for its use on ornamental plants and was granted an emergency Section 18 registration by the EPA for its use for the control of cylindrocladium root rot disease on spathapyllum ornamental foliage plants.

III. ENVIRONMENTAL CONCERNS

Triflumizole is considered environmentally safe in that it has no adverse effects on birds or bees although it can be toxic to fish at high concentrations. It degrades quickly in the soil, is rapidly metabolized by plants and animals and does not bioaccumulate in fish.

IV. MANUFACTURE AND IMPORTATION

Triflumizole is not manufactured in the United States. Because of the low demand, it is unlikely that any U.S. company will seek a license to manufacture Triflumizole in the U.S.. Uniroyal Chemical is the only current importer. Uniroyal imports the Tech grade and formulates it into finished products at plants in Gastonia, North Carolina and Fresno, California.

There are other competitive products on the market that are used in the U.S. for some of the same applications. These include Captan from Chevron, Funginex imported by FMC, and Dithane imported by Rohm and Haas. While these products are competitive in application, they are not competitive in their mode of action. There is no other product like Triflumizole manufactured in the United States.

IV. COSTS/SAVINGS

Triflumizole is a high cost product with a high duty rate. It is not imported in great quantities since its use is selective and in many cases, still experimental. Approximately 3,500 lbs. of Tech grade will be imported in 1989 having a total value of $127,260.00. The duty will be $17,180.00 on these imports. Savings resulting from a temporary duty suspension will assist in the development of the product for further uses and for the benefit of the growers and the consumers.

VI. CONCLUSION

There are no U.S. manufacturers of Triflumizole. Consequently, the enactment of a temporary duty suspension will not cause injury to United States manufacturers nor should it injure other United States business interests. The product is environmentally safe and is of growing importance for agriculture and society. A temporary duty suspension will have a minimal revenue impact and could help encourage further use of Triflumizole in other applications by reducing its overall cost.

For the foregoing reasons, Uniroyal Chemical Company, Inc. supports H.R. 1928, and requests that the Committee recommend its passage. The Company and its representatives will be happy to respond to any questions or requests for further information about this matter.

Respectfully submitted,

NEVILLE, PETERSON & WILLIAMS
39 Broadway, Suite 2201
New York, NY 10006
(212) 635-2730

By: John Peterson
JOHN M. PETERSON

INTERNATIONAL BUSINESS-
GOVERNMENT COUNSELLORS, INC.
818 Connecticut Avenue, NW
12th Floor
Washington, D.C. 20006
(202) 872-8181

By: James B. Clawson
JAMES B. CLAWSON

H.R. 1933

To restore duty-free treatment to certain motor vehicle parts entered under the Automotive Products Trade Act.

STATEMENT OF
MOTOR VEHICLE MANUFACTURERS ASSOCIATION
TO THE HOUSE WAYS AND MEANS
TRADE SUBCOMMITTEE
ON
H.R.1933

The Motor Vehicle Manufacturers Association of the United States, Inc. (MVMA) is the trade association for U.S. car, truck and bus producers. MVMA's seven member companies produce some 97% of all domestically built motor vehicles. MVMA is pleased to have this opportunity to offer its support to H.R.1933, a bill to restore duty-free treatment to certain motor vehicle parts entered from Canada under the Automotive Products Trade Act ("Auto Pact").

H.R.1933, introduced by Representative Sander Levin of Michigan, is a noncontroversial bill. It is intended to restore duty free treatment to certain motor vehicle parts imported from Canada under the terms of the Auto Pact. The products involved include pulleys, flywheels, chain sprockets, shaft couplings and signaling glass. These types of products are found in every car and truck produced in the United States. Pulleys, in particular, are critical components and, in different sizes and configuration, are used throughout a motor vehicle.

Prior to January 1, 1989 and the conversion from the old Tariff Schedules of the United States (TSUS) to the new Harmonized Tariff System (HS), these products were imported duty-free under the Auto Pact and appeared in the TSUS as 'parts of engines' (TSUS #660.68 or 660.72) or 'parts of motor vehicles' (TSUS #692.33). In the conversion from the one tariff system to the other, the Auto Pact identifier (a "B" in the Special Rate of Duty Column) was mistakenly omitted. As a result, these products were inadvertently denied the duty-free status they are accorded under the terms of the Auto Pact.

The clear statutory mandate of Congress in converting to the new Harmonized Tariff Schedule and in entering into the recent U.S.-Canada Free Trade Agreement was to maintain the longstanding duty-free treatment of original equipment parts traded between the motor vehicle industries in the United States and Canada. Since January 1 of this year, these products -- imported in full compliance with the Auto Pact -- have been assessed duties, which have placed considerable new financial liabilities on a number of auto parts supplying companies and have seriously affected the sustained profitability of at least one such company.

MVMA is aware of efforts within the Executive Branch to correct this problem through the issuance of a Presidential Proclamation, inserting the "B" in appropriate places and thereby restoring the Auto Pact duty treatment for future imports of these products. Unfortunately, this approach will not reverse the already serious financial implications of the duties assessed on shipments received in the United States between January 1, 1989 and the effective date of an Executive Branch action. H.R.1933 contains the necessary retroactivity provision and will, therefore, correct this error not only for future shipments but for that gap between January 1 and the enactment of the bill into law.

MVMA understands that the task of the conversion to the new HS was enormous. H.R.1933 will correct this particular error, by restoring retroactively the duty-free treatment as from January 1, 1989, the point in time when the new tariff system took effect. This bill will allow imports already entered since that time to obtain corrected duty assessments, thus eliminating the consequence of the original error by reversing the financial hardship suffered by a number of automotive supplier companies as a result of this accidental mislabeling.

In summary, MVMA supports the efforts of Congressman Levin to ensure the continuation of the conditions and terms of the Auto Pact under which this industry operates cooperatively with its Canadian counterparts. We ask the Subcommittee to report favorably on H.R.1933.

H.R. 1934

To suspend temporarily the duty on certain machined electronic connector contact parts.

STATEMENT OF TRI-STAR ELECTRONICS
IN SUPPORT OF H.R. 1934

This statement is submitted on behalf of our client, Tri-Star Electronics, Inc., of Venice, California, in support of H.R. 1934, a bill to temporarily suspend the duty on certain machined electronic connector parts. Tri-Star Electronics strongly supports the enactment of H.R. 1934. Passage of this bill is in the best interests of the United States and is essential for national security, in that it will provide to U.S. companies the component parts necessary for the continued manufacture of high-technology products which are essential for use in our aerospace and military industries. Further, and most significantly, passage of the bill will have no negative impact whatsoever on any U.S. industry or U.S. interests.

Tri-Star Electronics has been in business for more than ten years, and currently employs 150 persons in Venice, California. The company, among its other operations, imports machined electronic connector contact parts of 1/2 inch or less from Switzerland and Eastern France. The company imports these goods as unfinished machined parts, and then finishes them by either plating, stripping, or annealing. The final product is sold to approved Department of Defense contractors who are involved in the military and aerospace industries. Tri-Star is on the qualified products list as a Department of Defense supplier. Its customers include companies such as Rockwell, Hughes and TRW.

Machined electronic connector contact parts of 1/2 inch or less are used only in the manufacture of high-technology products essential for use in aerospace and military applications. This small, high-quality specialized product is manufactured primarily in Switzerland and in Eastern France, the only countries capable of producing the necessary quantity of parts of the requisite quality. The U.S. industry, on the other hand, manufactures larger electronic connector contact parts which find specialized applications in other industries, such as the automotive industry.

Tri-State estimates that it buys approximately 2 million parts per week. The company will therefore need to import 200 million pieces this year, and estimates that its competitors will need to import two to three times that amount. It is important to emphasize that Tri-Star has continually attempted, but been unable to obtain these products from domestic sources in the necessary quantities and requested quality. As recently as the fall of 1988, Tri-Star contacted Sorrenson Engineering, Inc., Gary Manufacturing, Ultra Precision, and Ridal Corporation, all of which had previously been suggested as possible domestic suppliers of machined electronic connector contact parts of 1/2 inch or less. Tri-Star found that these companies were unable to supply the product in the requisite quality and quantity. As Tri-Star uses these machined electronic connector contact parts in products which will be used by the military and aerospace industry, these parts must be of extremely high quality. In order to ensure the quality of the machined electronic connector contact parts in the quantities required, Tri-Star is forced to import them. Competitors of Tri-Star, such as ITT Canon, also import these parts from European manufacturers.

In light of the use to which machined electronic connector contact parts of 1/2 inch or less are put, and the fact that no U.S. company can produce the requisite quantity, imports of this merchandise from European suppliers are essential to the national security of this country. Since the U.S. industry cannot in any event supply this merchandise, it does not require the protection of a tariff in this case, and therefore no U.S. interests will be harmed by a temporary reduction of the tariff now in place.

In sum, the duty suspension proposed by H.R. 1934 is necessary to permit Tri-Star Electronics, and other suppliers of the U.S. military and aerospace industry, to continue to provide essential equipment to contractors of the Department of Defense at the lowest possible cost. Consequently, passage of this bill is in the national security interest of the United States. Finally, and most significantly, since no United States manufacturer either currently manufacturers or has plans to begin manufacture of parts of the requisite quality in necessary quantities, this duty suspension will have no negative impact upon a U.S. industry. Our client and its competitors have no alternative but to buy these goods overseas. Suspension of the duty on these parts will thus lower the cost of manufacture of goods ultimately purchased by the Department of Defense for military and aerospace applications.

We would also like to note that a bill very similar to the one now before the Congress was introduced in the 100th Congress last year (H.R. 3538). It is our understanding that this bill was defeated largely due to the insistance of the Department of Commerce that the United States industry could, in fact, supply the subject electronic connector contact parts. As previously discussed, in the fall of 1988, Tri-Star Electronics contacted those companies which the Department of Commerce had indicated as potential suppliers of these items. These companies all indicated that they were unable to supply Tri-Star with the connector contact parts covered by this legislation. We have attached hereto a letter from Sorenson Engineering, one of the leading, if not the leading U.S. company supplying machine-tooled electronic connector contact parts to the U.S. defense and aerospace industries, and to the suppliers of that industry, indicating that Sorenson is unable to supply Tri-Star with these parts. As indicated in the letter, the demand for these parts in the United States far exceeds the ability of the few U.S. suppliers to meet the demand. Consequently, Tri-Star, and other defense contractors, are forced to import these parts.

We appreciate the opportunity to provide these comments to the Subcommittee on behalf of Tri-Star, and would be pleased to provide whatever additional information you deem may be necessary.

Respectfully submitted,

Steven P. K

Steven P. Kersner
Brownstein Zeidman and Schomer
Attorney for Tri-Star Electronics

May 23, 1989

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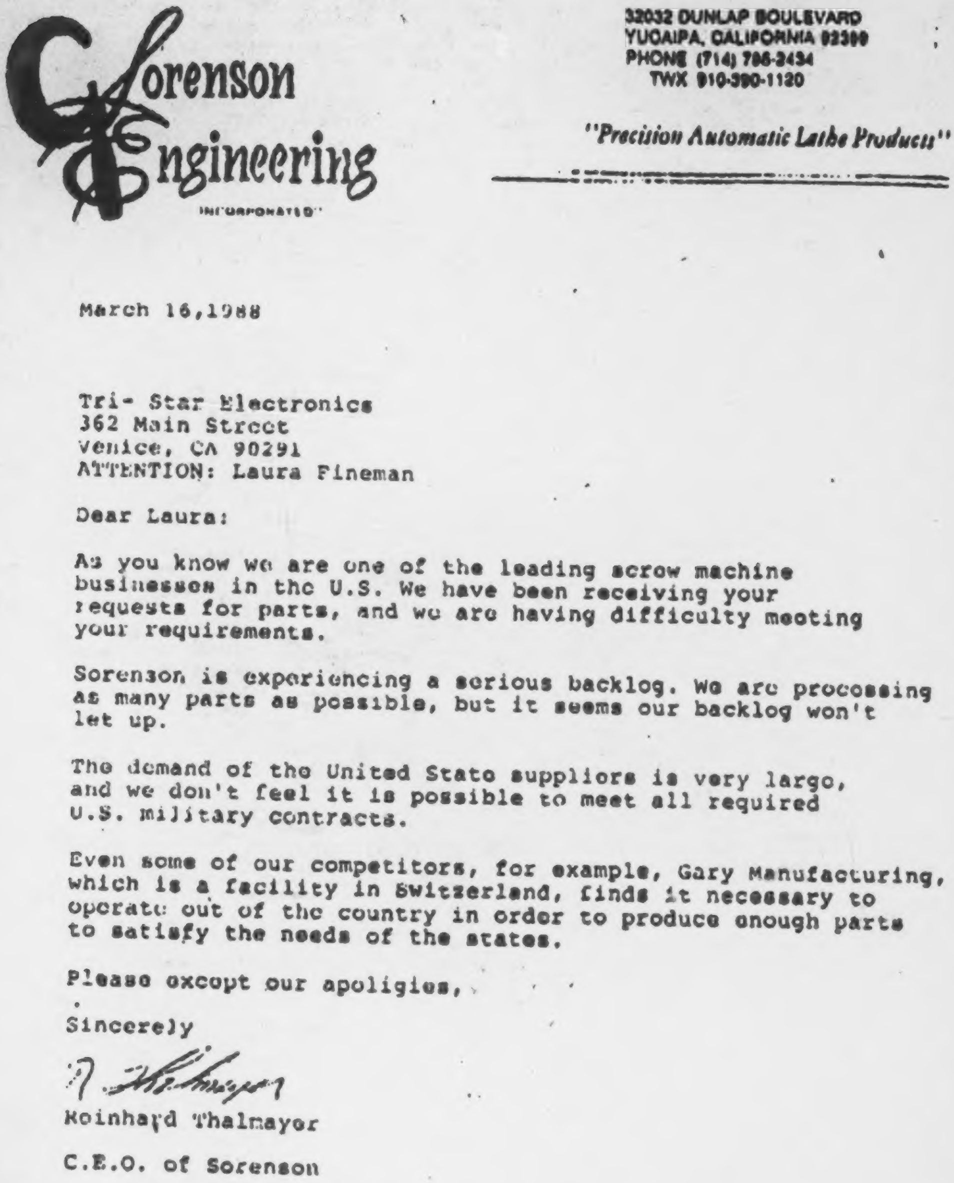

Sorenson Engineering
INCORPORATED

32032 DUNLAP BOULEVARD
YUCAIPA, CALIFORNIA 92399
PHONE (714) 795-2434
TWX 910-390-1120

"Precision Automatic Lathe Products"

March 16,1988

Tri- Star Electronics
362 Main Street
Venice, CA 90291
ATTENTION: Laura Fineman

Dear Laura:

As you know we are one of the leading screw machine businesses in the U.S. We have been receiving your requests for parts, and we are having difficulty meeting your requirements.

Sorenson is experiencing a serious backlog. We are processing as many parts as possible, but it seems our backlog won't let up.

The demand of the United State suppliers is very large, and we don't feel it is possible to meet all required U.S. military contracts.

Even some of our competitors, for example, Gary Manufacturing, which is a facility in Switzerland, finds it necessary to operate out of the country in order to produce enough parts to satisfy the needs of the states.

Please except our apoligies,

Sincerely

Reinhard Thalmayer

C.E.O. of Sorenson

LAW OFFICES
BROWNSTEIN ZEIDMAN AND SCHOMER

PHILIP N. BROWNSTEIN
PHILIP F. ZEIDMAN, P. C
MORTON W. SCHOMER
PERRY C. AUSBROOK
ARTHUR I. CANTOR
DONALD A. KAUL, P. C.
KENNETH G. LORE
PETER J. KLARFELD
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DAVID J. BUTLER
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SUSAN E. DUVALL
H. BRET LOWELL
BARRY M. HELLER
KYLLIKKI KUSMA
DAVID F. AMEMINE
GARY C. TEPPER
SAMUEL J. MALIZIA
ERIC LUSE
JAMES C. RUBINGER
DAVID M. ASTROVE
LAURENCE E. PLATT
PHILLIP L. SCHULMAN

OF COUNSEL
CHARLES J. BARTLETT
JOHN M. TIFFORD
ARTHUR L. ISAACS*
MELVYN K. KLEIN

DONALD S. STEIN
STEPHANIE K. WADE
ANTHONY CIPITI, JR.
JEFFREY M. SNYDER
PATRICIA F. BAK
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DAVID W. KOCH*
ELIZABETH ANN STRICKLER
CAROL M. TOMASZCZUK
DAVID E. MICHAEL
FREDERICK F. SIMMONS, JR.*
MARIAN S. VOBACH
KIMLA C. WILKINS*
CLAUDIA G. PASCHE*

*NOT ADMITTED IN D.C.

SUITE 900
1401 NEW YORK AVENUE, N. W.
WASHINGTON, D. C. 20005-2102

TELEPHONE
202-879-5700

TELECOPIER
202-879-5773

TWX
710-8229772

CABLE ADDRESS
CAVEAT-WSH

MEXICO CITY OFFICE
[illegible]
COLONIA DEL VALLE
[illegible]
[illegible]
[illegible]

WRITER'S DIRECT DIAL NUMBER

HAND DELIVERY

May 26, 1989

Robert Leonard, Esq.
Chief Counsel
Committee on Ways and Means
Room 1102
Longworth House Office Building
Washington, D.C. 20515

Re: Additional Comments of Tri-Star Electronics
Concerning H.R. 1934

Dear Mr. Leonard:

On behalf of our client, Tri-Star Electronics, Inc. we would like to make you aware of a typographical error in the language of H.R. 1934, a bill to temporarily suspend import duties on certain machined electronic connector contact parts. The bill, as it currently reads, would apply to "machined electronic connector contact parts, 1/2 inch or less in length..." (Emphasis added). This language should read "1/2 inch or less in diameter".

The aerospace and defense industries use specifically those electronic connector contact parts which are 1/2 inch or less in diameter. These parts are frequently longer than 1/2 inch. The bill therefore is meaningless as it now reads, and should be amended to read "1/2 inch in diameter."

Your attention to this matter is greatly appreciated.

Sincerely yours,

Steven P. Ker

Steven P. Kersner

SPK:cgp:8073n

H.R. 1936

To reduce temporarily the column 2 rate of duty on certain machine tools for planing, gear cutting, gear grinding, or gear finishing.

STATEMENT OF WMW MACHINERY, INC.

Subcommittee on Trade of the Committee on Ways and Means
United States House of Representatives
May 31, 1989
H.R. 1936

My name is Jack McDonald. I am President of Jack McDonald Co., 1001 Pennsylvania Avenue, N.W., Suite 625 South, Washington, D.C. 20004, (202) 624-7269. I am submitting this written testimony on behalf of WMW Machinery, Inc., 570 Bradley Hill Road, Blauvelt, New York 10913, (914) 358-3330.

Present Law

Item 8461.10.00 of the Harmonized Tariff Schedule of the United States provides a tariff rate for planing machines.

Item 8461.40.50 of the Harmonized Tariff Schedule of the United States provides a tariff rate for gear generating grinders.

Item 8461.40.10 of the Harmonized Tariff Schedule of the United States provides for a tariff rate for gear hobbers.

The current Column 1 tariff rate for Most-Favored-Nations (MFN) is 4.4 percent *ad valorem* (of value) for planing machines and gear grinding machines and 5.8 percent *ad valorem* for gear hobbers, but for non-MFN Column 2 countries the rate is 30 percent *ad valorem* for planing machines and gear generating grinder machines, and 40 percent *ad valorem* for gear hobbers.

Recommended Changes

Under H.R. 1936, the Column 1 rate will remain at 4.4 percent *ad valorem* for planing machines and gear grinding machines and 5.8 percent *ad valorem* for gear hobbers, while the Column 2 rate would be temporarily lowered to 10 percent *ad valorem* for planing machines and gear generating grinders, and 15 percent *ad valorem* for gear hobbers.

Background

WMW Machinery, Inc. is a distributor of machine tools in the United States. The company, which is located in Blauvelt, New York, currently employs twenty workers at its facility. The company's goal is to bring to its customers the best in technical innovation, engineering, parts and services available to the machine tool industry today. Consequently, WMW Machinery, Inc. [illegible] certain machine tools manufactured in the German Democratic Republic (East Germany). The company is the sole importer in the

United States of East German machine tools, having an exclusive distributorship for such products in the territory.

WMW Machinery imports planing machines and gear generating machines at a rate of 30 percent ad valorem and gear hobbers at a rate of 40 percent ad valorem. In contrast, the company's chief competitors import the same products from other countries -- Japan, West Germany, and Italy -- at much lower rates, 4.4 and 5.8 percent ad valorem, respectively.

The disparity in the tariff rate makes it extremely difficult for WMW Machinery to compete effectively with other foreign sources. WMW believes that the machine tools it imports are of superior quality and could be marketed at competitive prices if the present prohibitive rates were lowered to reasonable levels.

Reasons for the Changes

The lower rate would have its greatest impact on competition among foreign suppliers, allowing lower prices and larger selection for domestic manufacturers and consumers. WMW Machinery has already demonstrated the demand for East German machine tools by selling them in the United States under the current prohibitive rate. Lowering the rate will force competition among existing European and Asian manufacturers. This action should drive down prices and provide domestic buyers with a greater selection of quality machine tools. Further, this legislation would provide for only a temporary reduction in the tariff, allowing both domestic and foreign manufacturers to respond to any potential changes in the market.

The reduced tariff would have a minimum effect on the domestic market of machine tools, as products imported from East Germany constitutes less than 1 percent of the total import market for machine tools. Even with the proposed temporary reduction from 30 percent ad valorem to 10 percent ad valorem (40 percent ad valorem to 15 percent ad valorem in the case of gear hobbers), domestic manufacturers of machine tools would have 10 and 15 percent cost advantage over products imported from a Column 2 country. Therefore, the proposed temporary reduction will not impact current domestic industry and will not prevent future domestic entry into the market.

In addition to these economic considerations, the temporary reduction of these tariff rates will be small step toward improving commerce and trade with Eastern Europe. As the Subcommittee on Trade stated in its report, Report on Trade Mission to Central and Eastern Europe (March 1984), "the United States is well behind many Western industrialized nations, especially West Germany, Japan and most recently Canada, in economic relations with Eastern Europe." The report recommended that "serious consideration should be given to further normalization of U.S. trade with [East Germany]." WMW Machinery believes that temporarily lowering the restrictive rate for the machines tools to a more reasonable level will help facilitate the Subcommittee's goal of normalization of trade with Eastern Europe.

Summation

The temporary reduction of the Column 2 non-MFN tariff rate will not have negative impact on United States industry or workers. It will, however, encourage competition among foreign producers, resulting in more competitive prices and greater selection of machine tools. In addition, a lower rate will be a small step toward normalizing trade with Eastern European countries.

LIST OF MACHINE TOOLS

1. Description: Heavy duty knee-type milling machines

   HTSUS: 8459

   Other Foreign Sources: Taiwan
   South Korea
   Czechoslovakia

2. Description: Horizontal or vertical boring machines

   HTSUS: 8459

   Other Foreign Sources: Japan
   West Germany
   South Korea
   Spain

3. Description: Single spindle radial drills

   HTSUS: 8459

   Other Foreign Sources: Taiwan

4. Description: Spline shaft milling machine

   HTSUS: 8459 or 8461

   Other Foreign Sources: West Germany

5. Description: Gear generating grinders

   HTSUS: 8461

   Other Foreign Sources: West Germany
   Japan

6. Description: Gear hobbing machines

   HTSUS: 8461

   Other Foreign Sources: Italy
   West Germany
   Japan

7. Description: Planning machines

   HTSUS: 8461

   Other Foreign Sources: West Germany
   Italy
   Japan

8. Description: Surface grinding machines

HTSUS: 8460

Other Foreign Sources:
Japan
Italy
West Germany
Taiwan
South Korea
Czechoslovakia

9. Description: Internal or cylindrical grinding machines

HTSUS: 8460

Other Foreign Sources:
Japan
West Germany
Italy
Switzerland
China
Czechoslovakia

10. Description: Centerless grinders

HTSUS: 8460

Other Foreign Sources:
Japan
Italy
West Germany
Sweden
Taiwan
South Korea
Spain
China

11. Description: Honing machines

HTSUS: 8460

Other Foreign Sources:
Japan
West Germany

H.R. 1937

To reduce temporarily the column 2 rate of duty on certain machine tools for grinding or honing.

STATEMENT OF WMW MACHINERY, INC.

Subcommittee on Trade of the Committee on Ways and Means
United States House of Representatives
May 31, 1989
H.R. 1937

My name is Jack McDonald. I am President of Jack McDonald Co., 1001 Pennsylvania Avenue, N.W., Suite 625 South, Washington, D.C. 20004, (202) 624-7269. I am submitting this written testimony on behalf of WMW Machinery, Inc., 570 Bradley Hill Road, Blauvelt, New York 10913, (914) 358-3330.

Present Law

Items 8460.11.00 or 8460.19.00 of the Harmonized Tariff Schedule of the United States provides a tariff rate for flat-surface grinding machines of the reciprocating table type.

Items 8460.21.00 or 8460.29.00 of the Harmonized Tariff Schedule of the United States provides a tariff rate for grinding machines.

Item 8460.40.00 of the Harmonized Tariff Schedule of the United States provides for a tariff rate for honing machines of the two station automatic type, suitable for super-finishing raceways for bearings.

The current Column 1 tariff rate for Most-Favored-Nations (MFN) is 4.4 percent *ad valorem* (of value) for flat-surface grinding machines, grinding machines, and honing machines, but for non-MFN Column 2 countries the rate is 30 percent *ad valorem*.

Recommended Changes

Under H.R. 1937, the Column 1 rate will remain at 4.4 percent *ad valorem* for flat-surface grinding machines, grinding machines and honing machines, while the Column 2 rate would be temporarily lowered to 10 percent *ad valorem*.

Background

WMW Machinery, Inc. is a distributor of machine tools in the United States. The company, which is located in Blauvelt, New York, currently employs twenty workers at its facility. The company's goal is to bring to its customers the best in technical innovation, engineering, parts and services available to the machine tool industry today. Consequently, WMW Machinery markets certain machine tools manufactured in the German Democratic Republic (East Germany). The company is the sole importer in the United States of East German machine tools, having an exclusive distributorship for such products in the territory.

WMW Machinery imports flat-surface grinding machines, grinding machines, and honing machines at a rate of 30 percent *ad valorem*. In contrast, the company's chief competitors import the same products from other countries -- Japan, South Korea, China, and West Germany -- at a much lower rate, 4.4 percent *ad valorem*.

The disparity in the tariff rate makes it extremely difficult for WMW Machinery to compete effectively with other foreign sources. WMW believes that the machine tools it imports are of superior quality and could be marketed at competitive prices if the present prohibitive rates were lowered to reasonable levels.

Reasons for the Changes

The lower rate would have its greatest impact on competition among foreign suppliers, allowing lower prices and larger selection for domestic manufacturers and consumers. WMW Machinery has already demonstrated the demand for East German machine tools by selling them in the United States under the current prohibitive rate. Lowering the rate will force competition among existing European and Asian manufacturers. This action should drive down prices and provide domestic buyers with a greater selection of quality machine tools. Further, this legislation would provide for only a temporary reduction in the tariff, allowing both domestic and foreign manufacturers to respond to any potential changes in the market.

The reduced tariff would have a minimum effect on the domestic market of machine tools, as products imported from East Germany constitutes less than 1 percent of the total import market for machine tools. Even with the proposed temporary reduction from 30 percent *ad valorem* to 10 percent *ad valorem*, domestic manufacturers of machine tools would have 10 percent cost advantage over products imported from a Column 2 country. Therefore, the proposed temporary reduction will not impact current domestic industry and will not prevent future domestic entry into the market.

In addition to these economic considerations, the temporary reduction of these tariff rates will be small step toward improving commerce and trade with Eastern Europe. As the Subcommittee on Trade stated in its report, *Report on Trade Mission to Central and Eastern Europe* (March 1984), "the United States is well behind many Western industrialized nations, especially West Germany, Japan and most recently Canada, in economic relations with Eastern Europe." The report recommended that "serious consideration should be given to further normalization of U.S. trade with [East Germany]." WMW Machinery believes that temporarily lowering the restrictive rate for the machines tools to a more reasonable level will help facilitate the Subcommittee's goal of normalization of trade with Eastern Europe.

Summation

The temporary reduction of the Column 2 non-MFN tariff rate will not have negative impact on United States industry or workers. It will, however, encourage competition among foreign producers, resulting in more competitive prices and greater selection of machine tools. In addition, a lower rate will be a small step toward normalizing trade with Eastern European countries.

[FOR ATTACHMENT, SEE ATTACHMENT TO THEIR STATEMENT ON H.R. 1936.]

H.R. 1938

To reduce temporarily the column 2 rate of duty on certain machine tools for drilling, boring, milling, threading, or tapping by removing metal.

STATEMENT OF WMW MACHINERY, INC.

Subcommittee on Trade of the Committee on Ways and Means
United States House of Representatives
May 31, 1989
H.R. 1938

My name is Jack McDonald. I am President of Jack McDonald Co., 1001 Pennsylvania Avenue, N.W., Suite 625 South, Washington, D.C. 20004, (202) 624-7269. I am submitting this written testimony on behalf of WMW Machinery, Inc., 570 Bradley Hill Road, Blauvelt, New York 10913, (914) 358-3330.

Present Law

Items 8459.51.00 or 8459.59.00 of the Harmonized Tariff Schedule of the United States provides a tariff rate for milling machines of the knee type.

Items 8459.10.00, 8459.31.00 or 8459.39.00 of the Harmonized Tariff Schedule of the United States provides a tariff rate for boring-milling machines of the horizontal or verticle spindle type.

Item 8459.29.00 of the Harmonized Tariff Schedule of the United States provides for a tariff rate for single spindle radial drilling machines of the other than numerically controlled type.

Items 8459.61.00 or 8459.69.00 of the Harmonized Tariff Schedule of the United States provides a tariff rate for milling machines suitable for use on metal or plastic, with a working range up to 300mm in diameter and up to 5m in length.

The current Column 1 tariff rate for Most-Favored-Nations (MFN) is 4.2 percent ad valorem (of value) for milling machines, boring-milling machines, single spindle radial drilling machines, and milling machines suitable for use on metals or plastics, but for non-MFN Column 2 countries the rate is 30 percent ad valorem.

Recommended Changes

Under H.R. 1938, the Column 1 rate will remain at 4.2 percent ad valorem for milling machines, boring-milling machines, single spindle radial drilling machines, and milling machines suitable for use on metals or plastics, while the Column 2 rate would be temporarily lowered to 10 percent ad valorem.

Background

WMW Machinery, Inc. is a distributor of machine tools in the United States. The company, which is located in Blauvelt, New

York, currently employs twenty workers at its facility. The company's goal is to bring to its customers the best in technical innovation, engineering, parts and services available to the machine tool industry today. Consequently, WMW Machinery markets certain machine tools manufactured in the German Democratic Republic (East Germany). The company is the sole importer in the United States of East German machine tools, having an exclusive distributorship for such products in the territory.

WMW Machinery imports milling machines, boring-milling machines, single spindle radial drilling machines, and milling machines suitable for use on metals or plastics at a rate of 30 percent ad valorem. In contrast, the company's chief competitors import the same products from other countries -- Japan, South Korea, and West Germany -- at a much lower rate, 4.2 percent ad valorem.

The disparity in the tariff rate makes it extremely difficult for WMW Machinery to compete effectively with other foreign sources. WMW believes that the machine tools it imports are of superior quality and could be marketed at competitive prices if the present prohibitive rates were lowered to reasonable levels.

Reasons for the Changes

The lower rate would have its greatest impact on competition among foreign suppliers, allowing lower prices and larger selection for domestic manufacturers and consumers. WMW Machinery has already demonstrated the demand for East German machine tools by selling them in the United States under the current prohibitive rate. Lowering the rate will force competition among existing European and Asian manufacturers. This action should drive down prices and provide domestic buyers with a greater selection of quality machine tools. Further, this legislation would provide for only a temporary reduction in the tariff, allowing both domestic and foreign manufacturers to respond to any potential changes in the market.

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In addition to these economic considerations, the temporary reduction of these tariff rates will be small step toward improving commerce and trade with Eastern Europe. As the Subcommittee on Trade stated in its report, Report on Trade Mission to Central and Eastern Europe (March 1984), "the United States is well behind many Western industrialized nations, especially West Germany, Japan and most recently Canada, in economic relations with Eastern Europe." The report recommended that "serious consideration should be given to further normalization of U.S. trade with [East Germany]." WMW Machinery believes that temporarily lowering the restrictive rate for the machines tools to a more reasonable level will help facilitate the Subcommittee's goal of normalization of trade with Eastern Europe.

Summation

The temporary reduction of the Column 2 non-MFN tariff rate will not have negative impact on United States industry or workers. It will, however, encourage competition among foreign producers, resulting in more competitive prices and greater selection of machine tools. In addition, a lower rate will be a small step toward normalizing trade with Eastern European countries.

[FOR ATTACHMENT, SEE ATTACHMENT TO THEIR STATEMENT ON H.R. 1936.]

H.R. 1939

To amend the Harmonized Tariff Schedule of the United States to correct the classification of gripping narrow fabrics of man-made fibers.

101st CONGRESS H.R. 1939
1st Session

BEFORE THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

STATEMENT ON BEHALF OF
APLIX, INC.
IN SUPPORT OF
H.R. 1939
TO AMEND THE HARMONIZED TARIFF
SCHEDULE OF THE UNITED STATES

This statement is submitted on behalf of Aplix, Inc., P.O. Box 7504, 12300 Steele Creek, Charlotte, North Carolina, 28210, by its attorneys, Sonnenberg, Anderson, O'Donnell & Rodriguez, 200 West Adams Street, Chicago, Illinois 60606. If there is a hearing on this bill, the company will be represented by its President, Patrick Billarant and by Michael A. Johnson, Esq., of Sonnenberg, Anderson, O'Donnell & Rodriguez.

PURPOSE OF H.R. 1939

H.R. 1939 is intended to correct the classification and rate of duty assessable on gripping narrow fabrics suitable for forming one side of a fabric fastener under the Harmonized Tariff Schedule of the United States (HTSUS) so as to preserve the revenue neutrality of the conversion of the Tariff Schedules of the United States (TSUS) to the HTSUS. Since Aplix, Inc. imports these fabrics from France, its importations are not subject to quota restraints. We are, of course, in favor of such restraints and believe that they should be carried over appropriately from the TSUS to the HTSUS provision suggested.

Under the TSUS, such fabrics were dutiable at the rate of 7% ad valorem under TSUS Item 347.70. Under the HTSUS, they are being classified in Item 5806.10.20, at the rate of 9.5% ad valorem. The conversion has caused a duty increase of 2.5% of the value and represents an increase in the amount of duties payable of approximately 25%.

Aplix, Inc. is a small company located in Charlotte, North Carolina, which manufactures the types of fabrics at issue in a plant which was established at a cost of about $5,000,000 in 1981, and which employs approximately 200 people, of whom about 150 are production workers. Aplix, Inc. is a wholly owned subsidiary of a French company, Aplix, S.A. In supplements its U.S. production, as necessary, by imports of these types of fabrics from France. Aplix has several United States and international competitors of much larger size and greater resources but has been able to remain competitive in the United States, and, in fact, to grow in Charlotte by supplementing its United States production with importations from France.

Aplix was informed in April, 1989, by the United States Customs Service that its imports were being reclassified, retroactively, to the implementation of the HTSUS. This notification, while legal, comes too late for the company to re-price any of the merchandise it had imported. Moreover, such price increases would have to be taken across the entire product line and will make Aplix, Inc. less competitive in its markets, which include Canada and Mexico. This consequence is not necessary, as the increase in duties imposed under the HTSUS result from a conversion from the TSUS which is not duty neutral and can be corrected by the technical amendment suggested by the bill.

DESCRIPTION OF THE MERCHANDISE

The textile products in question are commonly known by the trade name of the Swiss firm which originally patented the processes by which they are made, Velcro®. The applicable patents expired in the late 1970's, and since that time the product has been made by various companies under sundry trade names, including Aplix's.

The fabrics are woven only from man-made fibers on specially adapted narrow fabric looms and have fast edges. Most have woven selvages. During the weaving process, extra filling threads are inserted in the fabric and these are formed into a very special sort of pile. On some of the fabrics, these threads are cut and specially heat-treated to form very small "hooks". On other fabrics, these threads are not cut and are left as "loops". When the fabric is cut to appropriate lengths or sizes, the two types may be joined together to form a fabric fastener. Both sorts of fabric, however, have other uses in industrial applications, although we estimate that these alternative uses account for less than 10% of the production. All of the fabrics so produced are suitable for use as one side of a fabric fastener.

CLASSIFICATION OF THE FABRICS UNDER THE TSUS

Under the TSUS, these fabrics were classified upon importation in Item 347.70, as narrow fabrics, of man-made fibers, Other, Other and were dutiable at 7% ad valorem in 1988.

This classification resulted from the fact that Schedule 3, Part 4, Subpart A of the TSUS (in which Item 347.70 was included) arranged various specialty fabrics in a hierarchy of superior headings. Headnote 2 to the Subpart explained that:

> 3. Any article described in more than one superior heading of this subpart is classifiable under the last such heading in which it is described.

The arrangement of the subpart was: knit fabrics, pile fabrics, tufted fabrics, narrow fabrics, braids, elastic fabrics. Since the gripping narrow fabrics covered by H.R. 1939 respond exactly to the definition of narrow fabrics, they were classified in the narrow fabrics provision, even though they were also of pile construction. The TSUS Items covering narrow fabrics contained a specific provision for "pile ribbons" of man-made fibers. However, gripping narrow fabrics are not ribbons in a tariff sense, since ribbons are used for ornamentation and gripping narrow fabrics are not. Their use is purely utilitarian.

Thus, these fabrics have been classified, at least since 1979, under TSUS Item 347.70.

CLASSIFICATION OF THE FABRICS UNDER THE HTSUS

The HTSUS follows, up to the six-digit level, the Harmonized Classification System worked out by the Customs Cooperation Council in Brussels, in which the United States is a participant.

The arrangement of Chapter 58 of the HTSUS is similar in many regards to the arrangement of the TSUS. However, in the provisions for narrow fabrics, the HTSUS contains specific provisions for narrow pile fabrics, apparently of all types at the six-digit level.

It appears to us that in drafting the HTSUS, the drafters did not recognize that this provision was broader than the TSUS provisions for "pile ribbon". They therefore assigned it the rate which was applicable to the TSUS provisions for pile ribbon in 1988 - 9.5% *ad valorem*. Item 347.70, under which gripping narrow fabrics had been classified, was also converted and assigned the rate of 7% *ad valorem*. However, since HTSUS Item 5806.10.20 is arguably more specific, in that it provides for narrow fabrics of pile construction, gripping narrow fabrics have been re-classified to this provision and the higher duty rate has been applied by Customs.

The purpose of H.R. 1939 is to correct this over-coverage in the new provision by creating a special, *eo nomine* provision to include only gripping narrow fabrics and change the duty rate to conform it to that which was applicable under the TSUS.

The HTSUS provisions as enacted and as amended by H.R. 2036 read as follows (amended language in bold italics):

As enacted:

Narrow woven fabrics, other than goods of heading 5807; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs):

5806.10	Woven pile fabrics (including terry toweling and similar terry fabrics) and chenille fabrics:	
5806.10.10	Of cotton	8.9%
5806.10.20	Of man-made fibers	9.5%

Under H.R. 1939:

Narrow woven fabrics, other than goods of heading 5807; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs):

5806.10	Woven pile fabrics (including terry toweling and similar terry fabrics) and chenille fabrics:	
5806.10.10	Of cotton	8.9%
	Of man-made fibers:	
5806.10.15	***Gripping narrow fabrics with hooks or loops inserted in the fabric during the weaving process and suitable for forming one side of a fabric fastener***	***7%***
5806.10.20	***Other***	9.5%

As may be seen, the coverage of the provision, as enacted, is changed by H.R. 1939 only by removing the very specific products which are the subject of this bill. The remaining fabrics classifiable under HTSUS Item 5806.10.20, as enacted, will remain unaffected.

EFFECTS OF THE PROVISION ON U.S. INDUSTRY AND REVENUE

1. *United States Manufacturers of Like Fabrics*

In addition to Aplix, Inc., the following companies manufacture this type of fabric in the United States.

3M Company (Minnesota Mining and Manufacturing)
3M Center
St. Paul, Minnesota 55144

American Velcro, Inc.
406 Brown Avenue
Manchester, New Hampshire 03108

YKK (USA), Inc.
4234 Ocmulgee East Boulevard
Macon, Georgia 31297

Ouimet, Inc.
230 Elliot Street
Brockton, Massachusetts 02403

Of these firms, at least American Velcro, YKK and Ouimet import some, although certainly not all, of the fabrics of this type which are sold by them. Such importations are made, we believe, for the same purposes as Aplix's: to supplement United States production.

As explained above, the technology which allows these fabrics to be made was developed in Europe in the late 1950s and early 1960s and the production of these fabrics has since that time become international. Production technology, however, is constantly changing and, we believe, improving as the demand for these specialty fabrics has increased and continues to increase. Although the front surface of these fabrics is never coated (for the obvious reason that it is of pile construction), the backs may be coated with pressure-sensitive or heat-sensitive resins which provides automatic adhesion for certain specific applications. Additionally, the fabrics may be made in various colors other than the stock colors offered by the companies if a specific user needs specific matching colors. It is for these reasons, among others, that established companies must, from time to time, supplement their U.S. production both to meet unexpected demand and to provide specialized forms of these already specialized fabrics.

In addition to United States manufacturers, there are companies which only import these fabrics. We are not aware of major surges in these imports nor of unfair competition in the form of dumping or subsidization from such imports. Needless to say, enactment of the eo nomine provision proposed by H.R. 1939 would permit better monitoring of such activities.

Finally, we do not believe that the United States industry, of which Aplix, Inc. is a part, has encountered any major difficulty in competing with imports from any source thus far at the rate of duty which was applicable to these fabrics in 1988, i.e., 7%.

2. Revenue Effect of the Provision

If this provision is enacted, approximately the same amount of revenue should be collected for the United States in 1989 as was collected in 1988. The effect of the provision is to conform the HTSUS to the principle of revenue neutrality which was promised in the conversion of the TSUS.

If H.R. 1939 is not enacted and the higher and unexpected duty applicable under current HTSUS Item 5806.10.20 is applied to the same volume of imported merchandise, we estimate that the United States might collect $250,000 in increased duties.

3. Effect on Pricing to Consumers

Thus far, neither Aplix, nor perhaps, other importers have passed this increased tariff along to their customers in increased prices. However, this duty increase will, ultimately, have to be passed along to customers and will result in a mild price rise.

4. Effect upon Aplix, Inc.

The necessity of an eventual price increase will make Aplix less flexible in competing not only with its U.S. competitors but also with imports made more cheaply abroad and imported under quota As stated above, Aplix's U.S. production depends at times upon supplementation with fabrics imported from France. Many industrial customers for these fabrics buy a product mix some of which is made in the United States and some of which may have to be imported. In such situations, although the individual fabrics are priced separately, the customer considers the overall price of the entire quantity it is buying. Clearly, passing along a duty increase on imported fabrics will make such contracts, containing much of Aplix's U.S. production, less attractive. Aplix's U.S. production will be injured thereby.

5. Trade Policy Implications and Administration by Customs

We believe that this measure has no major trade policy implications. It is merely the correction of an error in tariff conversion. To the extent that reductions in the rates under TSUS Item 347.70 were negotiated during the Tokyo Round, the failure to convert to the HTSUS so that the coverage of that provision remained the same indicates that our trading partners may not, in fact, have received the full benefit of Tokyo Round negotiations. We believe, however, that the Committee should be more concerned by the fact that this accidental increase in duties is disadvantageous to a manufacturing company being competently administered within the United States. Aplix made an intentional decision to locate facilities in North Carolina, based upon many considerations. One was that its business would not be damaged by arbitrary and capricious increases in duty rates. The needless increase in duties which H.R. 1939 seeks to correct will insure that Aplix's business plans are not thwarted and that production and expansion, if possible, of the Charlotte facility can continue.

Customs Administration of the proposed amendment should be relatively simple. Customs is well aware of current importers of gripping narrow fabrics suitable for use in fabric fasteners. It is also Customs' routine practice, in case of doubt, to demand the importer's product catalogues and inquire into the manner in which the imported products are sold and used. An examination of product catalogues will reveal immediately, in case of doubt, whether imported fabrics which meet the overall description of proposed HTSUS Item 5906.10.15 are suitable for use as fabric fasteners. Thus, we believe that administration of this provision will cause no more difficulty than administration of many other classification provisions based upon suitability for use.

6. Retroactivity

We point out again that the purpose of H.R. 1939 is to restore the dutiable status of these products to that which existed under the TSUS in 1988. In this instance, retroactivity is most important, because U.S. Customs has proposed reclassifying merchandise imported by Aplix from January through April at 7% at the higher duty rate. This proposal, while perfectly legal, was unexpected and is causing Aplix immediate harm. It can only be rectified by enactment of this provision retroactively.

CONCLUSION

For all the reasons stated above, we respectfully urge the subcommittee to recommend inclusion of the provisions of H.R. 1939 in this year's tariff legislation and to recommend that the Ways and Means Committee report such provisions favorably and recommend passage to the full House of Representatives.

Respectfully submitted,
SONNENBERG, ANDERSON, O'DONNELL & RODRIGUEZ
Attorneys for Aplix, Inc.
200 West Adams Street
Chicago, Illinois 60606
Tel. 312-407-7200

By: Michael A Johnson
Michael A. Johnson

ALEX McMILLAN
9TH DISTRICT
NORTH CAROLINA

COMMITTEE ASSIGNMENT
ENERGY AND COMMERCE
COMMITTEE

Congreſs of the United States
House of Representatives
Washington, DC 20515

May 18, 1989

The Honorable Sam Gibbons
Subcommittee on Trade
Committee on Ways and Means
1136 Longworth
INSIDE MAIL
Washington, D.C. 20515

Dear Sam:

I am writing to urge your favorable consideration of HR 1939 which would amend the Harmonized Tariff Schedule of the United States (HTSUS) to correct the classification of gripping narrow fabrics of man-made fibers.

Aplix, Inc. of Charlotte, North Carolina is a wholly owned subsidiary of a French company of the same name. Aplix produces gripping narrow fabrics under its own brand name in Charlotte but it also imports tape of this same type from its parent company in France as a supplement to its own production.

Aplix's imports of gripping narrow fabrics from France were classified under Item 347.70 and dutiable at 7% ad valorem in 1988. Since the TSUS had separate classifications for pile fabrics and for narrow fabrics, fabrics such as the one imported from France by Aplix were classified in the provisions for narrow fabrics since they were woven to widths of less than 12".

However, under HTSUS, a fabric that is both a narrow fabric and a pile fabric would have to be considered separately for duty purposes. Aplix recently found out that the classification for their imports from France would be dutied at a rate of 9.5% which represented an increase of 2.5%.

Since the HTSUS was supposed to be duty-neutral, Aplix has submitted the proposal I have introduced as HR 1939. The bill inserts a new tariff provision which would specifically cover this type of gripping narrow fabric and return it to the duty rate of 7% as charged under the TSUS.

WASHINGTON
401 CANNON BLDG.
WASHINGTON, DC 20515
PHONE: 202/225-1976

CHARLOTTE
401 WEST TRADE ST., RM. 222
CHARLOTTE, NC 28202
PHONE: 704/372-1976

STATESVILLE
207 WEST BROAD ST.
STATESVILLE, NC 28677
PHONE: 704/872-7331

MOORESVILLE
MUNICIPAL BLDG. COURTROOM
MOORESVILLE, NC 28115
PHONE: 704/663-1976

LINCOLNTON
POST OFFICE, ROOM B-01
LINCOLNTON, NC 28092
PHONE: 704/735-1976

The Honorable Sam Gibbons
Page 2
May 17, 1989

I hope you and the other Members of the Ways and Means Committee will agree that the HTSUS should be amended to correct this apparent oversight last year. I appreciate your consideration of this matter.

With warm regards.

Sincerely,

Alex McMillan
Member of Congress

AM/fhh

H.R. 1940

To extend the existing suspension of duty on certain knitting machines designed for sweater strip or garment length knitting.

No statements submitted.

H.R. 1942

To extend to protective sports articles the same rate of duty that applied in such goods before January 1, 1989.

LAW OFFICES
GEORGE R. TUTTLE
A PROFESSIONAL CORPORATION
1331 PENNSYLVANIA AVENUE, N.W., SUITE 1200
WASHINGTON, D.C. 20004
TELEPHONE: (202) 682-7550
TELECOPIER: (202) 682-7551
TELEX: 892 27663

GEORGE R. TUTTLE
IRVING W. SMITH, JR.*
DALE O. TORRENCE**
OF COUNSEL
*ADMITTED IN WISCONSIN
**ADMITTED IN NORTH CAROLINA

THREE EMBARCADERO CENTER
SAN FRANCISCO, CALIFORNIA 94111
TELEPHONE: (415) 986-8780
TELECOPIER: (415) 986-0908

505 CITY PARKWAY WEST
ORANGE, CALIFORNIA 92668
TELEPHONE: (714) 634-9278
TELECOPIER: (714) 634-8592

FILE REFERENCE NO.
73

May 30, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth Building
Washington, D.C. 20515

Re: Comments in Support of H.R. 1942, to Extend to Protective Sports Articles the Same Rate of Duty That Applied to Such Goods Before January 1, 1989.

Dear Mr. Leonard:

We wish to submit the following comments for the record on behalf of Fox Racing Company in support of H.R. 1942 which would restore the company to the position it was in prior to implementation of the new Harmonized System (HS) tariff on January 1, 1989. The bill would not take the product out of the textile category, it would not take it out of any quota restrictions; it would simply make the product dutiable at the same rate as before the duty, through no fault of the importer nor by virtue of any deliberate decision by the government, was increased almost seven-fold.

In preparation for the U.S. to adopt the international Harmonized System for tariff classification the President, on August 24, 1981, directed the U.S. International Trade Commission (ITC) to prepare a conversion of the Tariff Schedules of the United States (TSUS), the old tariff, to the format of the Harmonized System (HS), the new tariff, and in doing so the ITC "was directed to avoid tariff-rate changes to the extent practicable and to simplify the tariff where possible without rate changes significant for U.S. industry, workers or trade" (underscoring supplied). See ITC Publication 1400, Submitting Report, June 1983. The objective was to obtain a "rate neutral" conversion and in the vast majority of cases this was achieved. However, in the Fox Racing case the rate of duty was increased by more than 635%. This was not a negotiated rate because neither the country of manufacture nor U.S. Government agencies were aware of the migration of our client's product from one category to another.

Fox Racing imports a variety of articles used in the sport of motocross racing. The specific products at issue are racing pants and racing jackets all designed for sportwear, not everyday wear, and containing protective features such as padding, reinforcement, etc. to eliminate or reduce injuries to participants in this sport. Prior to adoption of the HS these products were classified by U.S. Customs as sports equipment and the duty was 4.64% but under the HS they will be subject to a 29.7% duty. When this extraordinary increase in duty was called to the attention of the Office of the Special Trade Representative in April 1988, long after the GATT negotiations had concluded, that office responded that it was too late to do anything about the rate change and that, besides, it had not been determined at that time whether the products would remain as sports goods or be reclassified as textiles. The products have been reclassified by U.S. Customs as textile articles under the HS with a 29.7% rate of duty. When we first raised this issue in early 1988 we were also informed, informally, by the administrative agencies that if the products were reclassified as textiles relief might be obtained through a technical amendments act which, unfortunately, was not provide for in the legislation implementing the new tariff.

The products in question are manufactured in Finland, a country with which the U.S. has good trade relations, and the Finnish manufacturer advises us that during 1989 he will use in excess of $1,000,000 of three different American textile fabrics developed by the W.L. Gore Corporation, the 3M Company, and DuPont. Thus, the virtual embargo of this product by an import prohibiting duty will result in a reduction in sales of the basic fabrics by the Amarican companies which supply the Finnish manufacturer. U.S. production of these products is estimated to be approximately $150,000, the majority of which is assembled in Mexico rather than being wholly of domestic manufacture. There are no textile quotas on the products in question.

Attached is a more detailed summary of the situation and the reasons for the legislation. Fox Racing Company and others who may also be contacting their representatives strongly support H.R. 1942 and urge that it be given favorable consideration in the Committee.

Thank you very much.

Very truly yours,

Law Offices of
GEORGE R. TUTTLE, P.C.

By: Dale O. Torrence
Dale O. Torrence

DOT/jlf
Enclosure

WP®COMMENTS.LTR

ATTACHMENT

BACKGROUND OF H.R. 1942

A. The Problem

Fox Racing of Campbell, CA., has been importing motocross equipment, such as pants and jackets, from Finland for more than 10 years. Prior to January 1, 1989, when the U.S. adopted the Harmonized System (HS) of tariff classification, these products were classified by U.S. Customs as sports equipment in TSUS Item No. 735.2058 with a duty rate of 4.64%. Upon implementation of the new HS tariff these products were moved from sporting goods to textiles and U.S. Customs has now ruled that they are to be classified in HS Heading 6203.43.4010 as wearing apparel of synthetic fibers with a duty rate of 29.7%.

This has made importation of these products economically impossible and threatens to ruin a sales market which Fox Racing has spent more than 10 years in developing.

B. The Products

The products are protective sports articles such as pants and jackets designed specifically, with protective features and construction, to protect participants in sporting activities against the hazards of the sport such as injury from blows, falls, fire, flying objects, road burns, etc. They are usually tight-fitting, have reinforcements at points of potential injury such as the knees, hips, thighs, shoulders, forearms, and wrists. They may have protective pads sewn in or special inside pockets or other provisions for holding protective pads. They are never worn except in conjunction with participation in the sporting event. They are not "designer wear", are never worn as clothing and, in fact, are uncomfortable for wear when not participating in a sporting event. They are usually made of woven fabric. They are not difficult to identify because their design, construction and protective features make them unique.

C. How the Problem Arose and Why it Should be Corrected

For many years U.S. Customs treated the products in question as sporting equipment in Schedule 7, and not as textiles in Schedule 3, of the old tariff. When the HS was implemented on January 1, 1989, as part of the Omnibus Trade Bill PL 100-418, the new tariff contained a legal note (from the international text) which provided that Chapter 95, which covers sports equipment, did not cover "Sports clothing or fancy dress, of Chapters 61 or 62". Many importers felt that this would not change the classification of the products in question because they are not "clothing", i.e., something to be worn as clothes, and that the exclusion from Chapter 95 actually referred to "fashion type" sports clothes such as after-ski wear or coordinated sweat suits. It was not until January 1988 that we were informed by Customs that the products imported by Fox Racing were to be moved from Chapter 95 as sports equipment at 4.64% duty to Chapter 62 as wearing apparel at 29.5% duty.

In March 1988 we submitted a petition to the Office of the Special Trade Representative pointing out this unfortunate inadvertence in the conversion process but were informed that "Unfortunately, it is now too late to make any changes to the Harmonized Tariff Schedule as Congressional conferees have completed their deliberations on this part of the trade bill." It was also stated by STR that "U.S. Customs has not issued a binding ruling concerning the classification of motocross pants and jackets" and "if motocross pants and jackets are classifiable in Chapter 95, then there has been no change in duty". This shows clearly that the issue had not been settled by negotiation and that the government agencies concerned were unaware of what would happen to the products in question long after the negotiations were concluded.

This would seem to be in total disregard of the President's directive to the ITC to convert the old tariff schedules to the new HS tariff on a rate neutral basis. Some increases, and decreases, in duty rates were unavoidable because of preponderance of trade and trade weighted averaging in determining some duty rates under the new tariff. However, this increase of some 635% in duty was not a result of any averaging formula but the result of an inadvertent transfer of goods from one Chapter to another with an unintended duty rate increase of more than 635% which no one was aware of until after the negotiations were concluded. In other situations where products were knowingly moved from one Chapter to another the former duty was carried along. This is what should have been done in this situation and this is what we are proposing.

In addition to the inequity that has been done to our client, it should be pointed out that the products our client imports from Finland are manufactured using American textile fabrics. Specifically, the Finnish manufacturer uses substantial amounts of "Gore-Tex", a textile fabric manufactured in Maryland by W.L. Gore Corp., "Kevlar", a textile fabric manufactured by DuPont Company and "Thinsulate", a textile fabric manufactured by The 3M Company. The product cannot be economically imported at 29.5% duty and the loss of imports by Fox Racing of products manufactured in Finland using American fabrics will also result in a consequent loss of U.S. exports of these American fabrics.

D. The Solution

It was originally thought that there would be authority in the legislation implementing the new tariff to administratively correct situations such as that which Fox Racing is facing or that the implementing legislation would authorize technical amendments for this purpose but such was not the case. Therefore the only remedy now available in legislation.

Therefore H.R. 1942 is the only solution available to clear up an inadvertent result of changing to the HS tariff. The legislation recognizes that the products in question are textiles, provides a definition of the products which makes them readily identifiable and differentiable from other textile articles, and restores the 4.7% rate of duty which the products had under the old tariff and are entitled to under the new tariff.

H.R. 1943

To suspend temporarily the duty on MBEP.

No statements submitted.

H.R. 1944

To suspend temporarily the duty on BPIP.

No statements submitted.

H.R. 1950

To treat tobacco grown in the United States and processed in a designated Caribbean Basin Country as eligible for duty-free entry.

No statements submitted.

H.R. 1952

To restore the tariff treatment accorded to hand cast string drawn fishing nets before implementation of the Harmonized Tariff Schedule.

STATEMENT OF AMERICAN CORDAGE AND NETTING MANUFACTURERS

I. INTRODUCTION

These comments in opposition to H.R. 1952, a bill "to restore the tariff treatment accorded to hand cast string drawn fishing nets before implementation of the Harmonized Tariff Schedule", are submitted on behalf of the American Cordage and Netting Manufacturers (ACNM) which represents domestic manufacturers of fishnetting. ACNM opposes this bill because its enactment would make incorrect an applicable duty rate which was made correct by the conversion from the Tariff Schedules of the United States (TSUS) to the Harmonized Tariff Schedules of the United States (HTSUS).

II. Description of the Product

The product which is the subject of this duty reduction proposal is a fishing net. The net is designed to be hand-cast upon the water then drawn together by means of an attached drawstring, trapping the fish inside. It is the type of net a fisherman might use to catch fry or bait for attracting larger fish.

III. Tariff Classification History and Reasons Therefore

a. TSUS

The general theory for classification under the TSUS was that a compound item would be classified under its component of chief value. In this instance the component of chief value was determined by the Customs Service to be lead; therefore these fishnets were classified under TSUS Item No. 657.75 with a column 1 duty of 3.9%. This item number appeared in Schedule 6, the schedule for Metals and Metal Products because lead, the component of chief value, is a metal.

b. HTSUS

Under the HTSUS, classification is based upon the essential character of an item. The essential character of a hand-cast string drawn fishing net is a fishing net. Therefore, under the HTSUS this item is correctly classified under HTSUS Item no. 5608.11.00, as a fishing net under Chapter 56 which covers netting. This classification carries the same column 1 duty rate as fishnetting did under the TSUS, a rate of 17% ad valorem, which was negotiated at the Tokyo Round of Multilateral Trade Negotiations (MTN) pursuant to the General Agreement on Tariffs and Trade (GATT).

IV. Correctness of Current Classification and Why No Change is Appropriate

a. The current classification description is sufficient.

The HTSUS Item No. 5608.11.00 under which the subject product is now entered covers the product. There is no reason to insert an additional item in the HTSUS to further complicate the task of Customs Inspections. The item is properly described by the current headings. It is fishnetting and described as such.

b. The current duty listed is the appropriate duty.

HTSUS Item No. 5608.11.00 carries a Column 1 duty rate of 17% ad valorem. This rate is the final staged reduction rate for fishnetting resulting from the Tokyo Round. This industry participated actively in supplying information to the U.S. negotiators for the MTN and has lived with and adjusted to the staged reductions in duty as they have taken place. There is no reason to change a duty rate which was arrived at on a quid pro quo basis in multilateral negotiations by singling out one particular version of the product for specialized treatment at a lower or no duty rate.

The current column 2 rate of 6.8% (IL) and 15.3% (CA) should also stand. It should not be replaced by the proposed Free (A, E, I,) special rate. As a textile fishnetting is subject to certain quota restrictions negotiated under bi-lateral agreements. The proposed change would run counter to the bi-lateral agreements which are based on fish netting being a textile subject, in appropriately negotiated circumstances, to quota restrictions. To blithely remove this fishnetting from its negotiated restrictions would send a clear signal that such quotas can be avoided simply by requesting Congress to remove the item from coverage.

IV. Conclusion

One positive step the conversion to the HTSUS accomplished was to eradicate certain classification peculiarities caused by U.S. adherence to its own system of tariff classification nomenclature (TSUS). The case of hand cast string drawn fishnets is a perfect example of this. Under the TSUS, ACNM and Customs were prevented from ensuring that all fishnetting was classified as fishnetting once the determination that lead was the component of chief value was made. The requirement of classification by component of chief value mandated some fishnetting to be classified as lead regardless of the logical inconsistency.

The conversion from TSUS to HTSUS thus corrected a long-standing error by providing that fishnetting be classified as fishnetting. Congress should not be persuaded to undo the correction this conversion has finally made in the classification of fishnetting entering the Customs territory of the United States.

Any change in this classification would send the following signals:

1. to the domestic industry which manufacturers the product: once classification problems are straightened out Congress will undo that good even to the detriment of an industry which provides such strategic goods as camouflage netting and tarpaulin tie-downs.
2. to the foreign producer: if corrections in classification are made which make it more difficult for you to dump (see Fishnetting from Japan antidumping investigation) merchandise in the United States, Congress will change classification nomenclature to make it easier.

For all the above reasons, H.R. 1952 must not become law.

Respectfully Submitted

Ann Ottoson King

Ann Ottoson King

AFTAC AMERICAN FIBER, TEXTILE, APPAREL COALITION

1801 K STREET, N.W., SUITE 900, WASHINGTON, D.C. 20006 (202)862-0500

May 30, 1989

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Ways & Means Committee
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your request for comment on certain tariff and trade bills, as announced in Committee Press Release #10 dated May 3, 1989. The American Fiber, Textile and Apparel Coalition (AFTAC) is a broad-based coalition which includes 21 organizations, representing industry and labor, producing most of the fibers, fabrics, home furnishings, industrial textiles and apparel made in the United States. AFTAC wishes to record its opposition to a tariff reduction bill pending before the Trade Subcommittee, H.R. 1952. This measure would restore the tariff treatment accorded to hand cast string drawn fishing nets before implementation of the Harmonized Tariff Schedule.

Imports have taken over one-third of the U.S. fish netting market. Only if the staged reductions are followed will domestic manufacturers have a chance, through new capital investment, product development and cost-cutting measures, to survive against imports.

For this reason, AFTAC opposes H.R. 1952 and recommends that the Subcommittee on Trade not give it favorable consideration. We appreciate the opportunity to comment on this bill and would ask that this letter be made a part of the record.

Sincerely,

Robert Blanchard
Robert Blanchard
Chairman

RB/rfd

Amalgamated Clothing & Textile Workers Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet & Rug Institute
Clothing Manufacturers Association of America
Cordage Institute
Industrial Fabrics Association International
International Ladies' Garment Workers Union
Knitted Textile Association
Luggage & Leather Goods Manufacturers of America
Man-Made Fiber Producers Association, Inc.
National Association of Uniform Manufacturers
National Cotton Council of America
National Knitwear Manufacturers Association
National Knitwear & Sportswear Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association, Inc.
Work Glove Manufacturers Association

STATEMENT OF BLUE RIBBON PRODUCTS, INC.

These comments supporting the enactment of H.R. 1952 are being submitted by Mr. Don Betts, the owner of Blue Ribbon Products Inc. of Fuquay-Varina, North Carolina.

H.R. 1952 is a bill to restore the tariff treatment accorded to hand cast string drawn fishing nets before the implementation of the Harmonized Tariff Schedule ("HTS"). Blue Ribbon Products Inc. is an importer of fishing tackle designed for use by individual sport fisherman. Among the products it imports are the hand cast string drawn fishing nets covered by H.R. 1952.

Hand cast string drawn fishing nets are used by sport fisherman to catch small fish, crabs, and shrimp which are later used almost exclusively as bait. These nets are approximately six feet in diameter and weighted with lead. Such nets have no practical use in commercial fishing. Production of these nets requires a labor intensive manufacturing process.

Under the Tariff Schedules of the United States the subject nets were consistently classified upon importation pursuant to an established and uniform practice as articles of lead, not coated or plated with precious metal, valued over 13 1/3 cents per pound, under item 657.75. Articles classified under item 657.75 were subject to customs duty at the rate of 3.9 percent ad valorem. The nets which were imported while the Tariff Schedules of the United States were in effect were not subject to quotas limitations or other quantitative restraints. The provisions of the Tariff Schedules of the United States were applicable to imported merchandise imported, or withdrawn from warehouse, for consumption on or before December 31, 1988.

Pursuant to the Omnibus Trade and Competitiveness Act of 1988, Public Law 100-418 the HTS became effective with respect to imported articles entered, or withdrawn from warehouse, for consumption on or after January 1, 1989. Under the HTS the nets at issue are classifiable under subheading 5608.1100 as made up fishing nets of man-made textiles. Articles classifiable under subheading 5608.11.00 are subject to duty at the rate of 17 percent ad valorem. Further, their importation is subject to quantitative restraints established pursuant to section 204 of the Agricultural Adjustment Act of 1956 (7 U.S.C. 1853).

H.R. 1952 would restore the rate of duty on hand cast string drawn fish nets to the rate in effect before implementation of the HTS, 3.9 percent ad valorem. It would also free the importation of these nets from quantitative restrictions. While H.R. 1952 will apply to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment, it also, upon request, will apply to articles entered, or withdrawn, for consumption on or after January 1, 1989, and before the date of enactment.

It appears that the rate increase on the subject nets brought about by implementation of the HTS and the concurrent application of quantitative restrictions were inadvertent. Almost all such nets are imported. There is almost no domestic industry to protect.

The HTS as it now stands virtually embargos the importation of these nets. The increase in duty alone makes their importation and subsequent sale in the United States unprofitable. The increase in duty of approximately 13 percent ad valorem can not be passed on to the customers of Blue Ribbon Products, Inc. Further due to their weight and relatively low value, quota allocation is almost impossible to obtain in the country of manufacture and exportation of the nets. Even now shipments are being detained by the Customs Service for lack of quota allocation. Further, it is doubtful that the nets could be profitably produced in the United States.

Blue Ribbon Products, Inc. imports approximately 44,500 nets annually. The value of these nets is approximately $900,000. It is estimated that 200,000 of these nets having a value of $4,000,000 are sold annually in the United States.

If the present tariff and quota status of these nets are not modified Blue Ribbon Products, Inc., will not be able to continue in business. Therefore, it is respectfully requested that this subcommittee act favorably on H.R. 1952. Enactment of H.R. 1952 would treat these nets under the HTS in the same manner as they were treated under the prior tariff schedules. It would comport with the understanding of the Congress that implementation of the HTS would be on as a rate neutral basis as possible.

H.R. 1954

To suspend until December 31, 1992, the duty on a herbicide intermediate.

No statements submitted.

H.R. 1956

To suspend temporarily the duty on K-Acid.

No statements submitted.

H.R. 1958

To suspend temporarily the duty on Ceftazidime Tertiary Butyl Ester.

No statements submitted.

H.R. 1959

To suspend temporarily the duty on 4 amino acetanilide.

WRITTEN TESTIMONY OF CROMPTON & KNOWLES CORPORATION

IN SUPPORT OF H.R. 1959 - H.R. 1980 AND H.R. 1996

Crompton & Knowles Corporation is a U.S.-owned company whose principal activity is the manufacture of dyestuffs. The company has plants in Reading, Pennsylvania; Gibraltar, Pennsylvania; Newark, New Jersey; Lowell, North Carolina; and Tertre, Belgium. Our corporate headquarters are located in Stamford, Connecticut.

Crompton & Knowles purchases the imported intermediates listed in H.R. 1959 - H.R. 1980 and H.R. 1996 for use in the manufacture of dyes. Crompton & Knowles sells its dyes to the domestic textile, paint, paper, and food industries. In addition, it sells some of the finished dyes abroad to various foreign industries.

To our knowledge there are no domestic commercial manufacturers of any of the benzenoid intermediates listed in H.R. 1959 - H.R. 1980 and H.R. 1996. Nor are there any U.S.-manufactured products which are substitutes for these benzenoid intermediates. As a result, Crompton & Knowles has no choice but to purchase these essential raw materials from foreign sources.

Crompton & Knowles' involuntary reliance on imported benzenoid intermediates has made it difficult for the company to compete against the increasing amount of imported dyes. Today over 50% of the dyes sold in the United States are imported.

Approval of these bills will help reduce production costs for all U.S. dye manufacturers and greatly assist the domestic industry's efforts to maintain or increase its U.S. market share. Temporary suspension of duties on these chemicals will improve the position of American dye manufacturers to compete against foreign companies with lower raw material, labor, and environmental costs.

Crompton & Knowles Corporation supports the proposed legislation to suspend temporarily the duty on certain dye intermediates until December 31, 1994 because there are no U.S. sources for the imported intermediates. Enactment of this legislation will benefit all U.S. dye manufacturers without harming any U.S. industry. Accordingly, Crompton & Knowles strongly urges the Committee to act affirmatively on bills H.R. 1959 through H.R. 1980 and H.R. 1996.

H.R. 1960

To suspend temporarily the duty on 6 amino-2-napthene sulfonic acid.

No statements submitted.

H.R. 1961

To suspend temporarily the duty on 8 amino-2 naphthene sulfonic acid.

No statements submitted.

H.R. 1962

To suspend temporarily the duty on 5 (and 8) amino-2 naphthalene sulfonic acid.

No statements submitted.

H.R. 1963

To suspend temporarily the duty on 5 amino 2 napthalene sulfonic acid.

No statements submitted.

H.R. 1964

To suspend temporarily the duty on 1-naphthylamine.

No statements submitted.

H.R. 1965

To suspend temporarily the duty on 4-amino-1-naphthalene sulfonic acid, sodium salt.

No statements submitted.

H.R. 1966

To suspend temporarily the duty on 1,4 dihydroxyanthraquinone.

No statements submitted.

H.R. 1967

To suspend temporarily the duty on 7 Nitro naphth [1,2] oxadiazole 5-sulfonic.

No statements submitted.

H.R. 1968

To suspend temporarily the duty on 4-chloro-a-a-a-trifluoro-o-toluidine.

No statements submitted.

H.R. 1969

To suspend temporarily the duty on 7-amino-1,3-naphthalene sulfonic acid mono potassium salt.

No statements submitted.

H.R. 1970

To suspend temporarily the duty on 2-amino-4-chlorophenol.

No statements submitted.

H.R. 1971

To suspend temporarily the duty on 2,4-diamino benzene sulfonic acid.

No statements submitted.

H.R. 1972

To suspend temporarily the duty on 2,5 dichloro-4-(3-methyl-5-oxo-2 pyrazolin-1-yl) benzene sulfonic acid.

No statements submitted.

H.R. 1973

To suspend temporarily the duty on 7-hydroxy 1,3-naphthalene disulfonic acid-dipotassium salt.

No statements submitted.

H.R. 1974

To suspend temporarily the duty on O-Anisidine.

No statements submitted.

H.R. 1975

To suspend temporarily the duty on 1-Amino-2-Bromo-4-Hydroxy-anthraquinone.

No statements submitted.

H.R. 1976

To suspend temporarily the duty on 2-chloro-4-nitroaniline.

No statements submitted.

H.R. 1977

To suspend temporarily the duty on (1,3,3 trimethyl-indoline-2-ylidene) acetaldehyde.

Mobay
Bayer
Mobay Corporation
A Bayer USA Inc. Company

PO Box 118088
Charleston, SC 29411-0288
Telephone 803/553-6600

May 25, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Gibbons:

This is written on behalf of Mobay Corporation to express opposition to the temporary suspension of duty on (1,3,3 trimethyl-indoline-2-ylidene) acetaldehyde as covered in H.R. 1977.

We manufacture this compound domestically at our Bushy Park plant in Charleston, South Carolina where it is further processed to manufacture basic dyes for coloration of textiles, specifically acrylic fabrics.

Waiving the duty on (1,3,3 trimethyl-indoline-2-ylidene) acetaldehyde would create a bias in favor of foreign manufacture of this compound and could jeopardize our current domestic production operations.

Based on the above, we urge the committee to reject the proposed duty suspension on (1,3,3 trimethyl-indoline-2-ylidene) acetaldehyde.

Sincerely,

Thomas J. Thomas
Thomas J. Thomas
Manager-Dyes Restructuring
and Rock Hill Manufacturing

H.R. 1978

To suspend temporarily the duty on 2,3 dihydro 1,3,3 trimethyl-2-methylene-1H-indole.

No statements submitted.

H.R. 1979

To suspend temporarily the duty on 2[(4 aminophenyl) sulfonyl] ethanol hydrogen sulfate ester.

No statements submitted.

H.R. 1980

To suspend temporarily the duty on 7-anilino-4-hydroxy-2 naphthalene sulfonic acid.

See contents pages for statements on this bill.

H.R. 1981

To amend the Harmonized Tariff Schedule of the United States to correct the classification of twenty-six-inch bicycles.

Collier, Shannon, Rill & Scott
Attorneys-at-Law
1055 Thomas Jefferson Street, N. W.
Washington, D. C. 20007

Telephone: (202) 342-8400
Telecopier: (202) 338-5534
Telex: 440665 CSRS UI
Writer's Direct Dial Number

(202) 342-8580

Robert A. Collier (1917-1984)
Thomas F. Shannon
James F. Rill
William W. Scott
David A. Hartquist
Richard S. Silverman
R. Timothy Columbus
Lauren R. Howard
Paul D. Cullen
Kathleen E. McDermott
Michael D. Sherman
Mark L. Austrian
Jeffrey W. King
Joel Yohalem
John B. Williams
Paul C. Rosenthal
Gary Jay Kushner
James R. Loftis, III
John L. Wittenborn
Jeffrey L. Leiter
Michael R. Kershow
Jeffrey S. Beckington
Judith L. Oldham

of Counsel
Michael R. McLeod
Alexander J. Pires, Jr.
Patrick B. Fazzone *

* Resident in Australia

Jeanne M. Forch
Laurence J. Lasoff
Christopher J. MacAvoy
Kathleen Weaver Cannon
Patrick J. Coyne
Daniel J. Harrold
Gary L. Melampy
T. Michael Jankowski
Carol A. Mitchell
K. Michael O'Connell
Mark D. Dopp
Mary T. Staley
Robert M. Huber
R. Randal Black
Marcy M. Rehberger
J. Keith Ausbrook
Gerard P. Fox
Roseanne A. Hurwitz
Lawrence I. Sperling
Robin H. Gilbert
A. Abigail Payne
Lisa A. Hallee
William M. Guerry, Jr.
Bernard A. Nigro, Jr.
Nicholas D. Giordano

June 7, 1989

Mr. Michael Hickey
Trade Subcommittee
Committee on Ways and Means
U.S. House of Representatives
1136 Longworth House Office Building
Washington, D.C. 20515-6354

Dear Mr. Hickey:

This is to confirm our conversation of yesterday, in which I explained the position of our client, the Bicycle Manufacturers Association of America, Inc. ("BMA"), with respect to H.R. 1981, the bill introduced by Representative Sensenbrenner for the purpose of correcting the Harmonized Tariff Schedule provisions covering 26-inch bicycles. As you know, this measure was introduced at the request of Trek Bicycle Company, a domestic manufacturer and importer of bicycles, and is supported by a number of other bicycle importers.

In principle, BMA has no objection to H.R. 1981. As its proponents claim, the bill would appear to do nothing more than replace the wheel and tire dimensions specified in HTSUS subheading 8712.00.20 with more accurate metric equivalents of the English system dimensions previously utilized in the Tariff Schedules of the United States ("TSUS"). In light of the intention that the conversion to the Harmonized System be revenue neutral, BMA agrees that the changes that H.R. 1981 would make in HTSUS subheading 8712.00.20 are, in principle, appropriate. Bicycles that were properly classifiable under TSUS item 732.18 and dutiable at 5.5 percent ad valorem prior to January 1, 1989 should, in BMA's view, continue to be classifiable under HTSUS subheading 8712.00.20 and be dutiable at the same 5.5 percent rate after January 1, 1989.

Nevertheless, BMA does not support consideration and passage of H.R. 1981 at the present time because of its potential prejudicial impact on an ongoing dispute with the U.S. Customs Service. On April 21, 1989, Customs Headquarters issued a set of four rulings that reverse the agency's prior position on the proper tariff classification of so-called all-terrain bicycles ("ATBs"), also known as "mountain bikes" or "city bikes." The issue is whether these bicycles are classifiable under the same tariff category as standard dropped-handlebar lightweights and other bicycles "not designed for use with tires having a cross-sectional diameter exceeding 1.625 inches" when the ATBs are equipped at the time of importation with tires 1.625 inches or less in width, or whether such bicycles are properly regarded as falling in an "other" tariff category bearing an 11 percent duty because they are, unlike lightweights, inherently "designed for use with tires having a cross-sectional diameter exceeding 1.625 inches." In late 1987, Customs' national import specialist for bicycles in New York developed and implemented a policy under which ATBs would be dutied at the 11 percent "other" rate unless the importer could demonstrate that the bicycle possessed certain objective design characteristics that precluded the use of tires exceeding 1.625 inches in width. In the April 21, 1989 rulings, Customs Headquarters reversed this policy, holding that ATBs imported with tires 1.625 inches in width or less would be presumed to be "designed for use with" those tires and therefore qualify for the 5.5 percent duty.

The April 21 rulings were issued in response to four individual importers' protests of the national import specialist's prior policy, without any input from the domestic bicycle industry. Coincidentally, one of the protestants was Trek, the firm that requested introduction of H.R. 1981. BMA's bicycle manufacturer members strongly disagree with Customs' recently-announced position and have asked Customs Commissioner von Raab to postpone implementing that new policy until the industry has had an opportunity to present its views on this very important issue to Customs. As of this writing, Commissioner von Raab has not responded to our requests for a comment period.

Until this dispute with Customs is resolved, BMA cannot support favorable consideration of H.R. 1981. Customs' recent rulings take the position that ATBs actually equipped with narrow tires at the time of importation will be presumed to be "designed for use with" only those tires, making classification under HTSUS subheading 8712.00.20 — and assessment of a 5.5 percent duty — appropriate; it is BMA's position that ATBs are inherently "designed for use with" wide tires and are therefore properly classifiable under HTSUS subheading 8712.00.30, the "other" category bearing a duty of 11 percent. To the extent that an ATB bicycle has wheels measuring slightly less than 65 centimeters in diameter, the bicycle would, absent H.R. 1981, be classified under HTSUS subheading 8712.00.10 in lieu of both HTSUS subheadings 8712.00.20 and 8712.00.30 and bear an 11 percent duty, regardless of tire width. Since this is the same duty that BMA believes should apply to ATBs regardless of wheel diameter and actual tire width, the Association opposes passage of H.R. 1981 until Customs has fully considered BMA's challenge to its recently-announced change of position on the classification of ATBs. Passage of H.R. 1981 would only ratify the result of Customs' contested change in policy. Postponement of consideration of H.R. 1981 would, on the other hand, allow at least some ATBs to be assessed the 11 percent duty that BMA believes is proper because of the design of these bicycles, albeit for different reasons (i.e., the diameter of the wheel). If and when Customs returns to its prior position that ATBs are properly dutiable at 11 percent because they are inherently "designed for use with" wide tires, BMA will have no objection to the passage of legislation that will ensure that standard lightweight bicycles with wheels slightly under 26 inches or 65 cm. in diameter will be dutied at 5.5 percent.

I hope this clarifies BMA's views on H.R. 1981. If we can answer any further questions, please do not hesitate to contact me.

Sincerely,

Michael R Kershow

MICHAEL R. KERSHOW

Counsel to the Bicycle Manufacturers
Association of America, Inc.

MRK:kp

PEUGEOT
CYCLES PEUGEOT USA INC.

May 30, 1989

Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U.S. House of Representatives RM. 1102
Longworth House Office Building
Washington, D.C. 20515

RE: H.R. 1981-Section(s) 8712.00.20:Chapter 87.sec.XVII
Harmonized Tariff Schedule

Dear Mr. Leonard:

We at Cycles Peugeot, U.S.A., Inc. would like to comment on the proposed Bill H.R. 1981. There are particular aspects of this bill that will adversely affect us and others who import the 26" bicycle. These particulars will in turn, affect the consumer.

First, we have noted, in the above referenced section of the bill that the dimensions for the wheel diameter and Tire Cross Section measurements from American Standard to Metric are incorrect. The calculations of 25" to 65cm and the 1.625" to 4cm should be 63.5cm and 4.3cm.

Secondly, if these miscalculations were to be put in effect, we would be forced to pay a much higher tariff. And, this in turn will inevitably, cost the consumer.

Therefore, we would like to ask the Committee that if the above corrections are made in the calculations, it will clear up any current and future problems that may/will affect the bicycle industry. If there is any other information that the Committee will require, please contact me, Ken Juell at:

Mr. Ken Juell, Director of Purchasing
Cycles Peugeot, U.S.A-Eastern Division
555 Gotham Park Road
Carlstadt, NJ 07072
(201) 460-7000

It is our hope that we have helped in this matter.

Sincerely,

Ken Juell

Ken Juell
Director of Purchasing-East

KJ/cc
Attachment

cc: Patrice Charreau, Executive Vice-President
Tom Curran, General Manager, Western Division
Tim McCoy, Traffic Manager, Western Division

PEUGEOT
CYCLES PEUGEOT USA INC.

May 30, 1989

Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U.S. House of Representatives RM. 1102
Longworth House Office Building
Washington, D.C. 20515

RE: H.R. 1981-Section(s) 8712.00.20:Chapter 87.sec.XVII
Harmonized Tariff Schedule

Dear Mr. Leonard:

We at Cycles Peugeot, U.S.A., Inc. are submitting this letter in response to the committee's request for comments on the proposed Bill H.R. 1981. As an importer of the 26" bicycles, we will be greatly affected by certain sections of the proposed legislation.

First, as the United States conforms to the Harmonized Tariff Schedule: we have noted, in the above referenced section.- that the conversion calculations for the wheel diameter and Tire Cross Section measurements from American Standard to Metric are incorrect. The calculations of 25" to 65cm and the 1.625" to 4cm should be 63.5cm and 4.3cm, respectively.

Secondly, as a result of the miscalculated conversions, we would be forced to pay a much higher tariff. And, inevitably, the cost will have be passed on to the consumer.

Therefore, we would like to advise the Committee that if the above corrections are made in the calculations, it will clear up any current and future problems that may/will affect the bicycle industry. If there is any other information that the Committee will require, please contact me, Tim McCoy at:

Mr. Timothy McCoy, Traffic Manager
Cycles Peugeot, U.S.A-Western Division
18805 Laurel Park Road
Compton, CA 90220
(213) 537-3600

It is our hope that we have helped in this matter.

Sincerely,

Tim McCoy

Tim McCoy
Traffic Manager, CPUSA-West

TM/cc
Attachment

cc: Patrice Charreau, Executive Vice-President
Tom Curran, General Manager, Western Division
Ken Juell, Director of Purchasing

LAWEE, INC.

30 May, 1989

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102, Longworth House Office Bldg.
Washington, D.C. 20515

Dear Mr. Leonard,

Our company, Lawee Inc., imports UNIVEGA and STERLING brand bicycles and distributes them throughout the United States.

We would like to voice our clear and strong support for H.R. 1981, which is now under review by your committee.

The current Harmonized Tariff Schedule includes inaccurate conversions from prior tariff schedules of the measurements "25 inches" and "1.625 inches". The net effect of these inaccurate conversions has been a duty increase to 11% on bicycles which formerly qualified for a 5.5% duty rate. We believe that H.R. 1981 corrects the inaccurate conversions, and we urge support for and passage of this needed piece of legislation.

Sincerely yours,
Bernie Kotlier
Mr. Bernie Kotlier
Exec. Vice President

3030 Walnut Avenue ☐ Long Beach, CA 90807
Phone: (213) 426-0474 ☐ Telex: 656304 ☐ FAX: (213) 424-3638

101st CONGRESS   H.R. 1981
1st Session

BEFORE THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

STATEMENT ON BEHALF OF
THE TREK BICYCLE CORPORATION
IN SUPPORT OF
H.R.1981
TO AMEND THE HARMONIZED TARIFF
SCHEDULE OF THE UNITED STATES

The following written testimony is made on behalf of our client, Trek Bicycle Corporation, 801 W. Madison, Waterloo, Wisconsin in support of the passage of H.R. 1981. As a domestic manufacturer and importer of bicycles, Trek's business was seriously effected by an apparent error in the conversion from the Tariff Schedules of the United States to the Harmonized Tariff Schedules. H.R. 1981, introduced by Mr. Sensenbrenner of Wisconsin at the suggestion of our client, will correct the error without any radical change to the tariff language.

We believe that it would be best to begin with an explanation of the products involved, what the bill does and why it was introduced.

PRODUCTS INVOLVED

At issue in this bill is the classification of twenty-six inch bicycles. "Twenty-six inch" is actually a misnomer: for decades the industry-wide standard measurement for wheels of 26" bicycles has been approximately 25 1/2 inches. For practical and marketing purposes, the bicycle industry has called these bicycles "twenty-six" inch bicycles. Under the TSUS, these bicycles were classified in Item 732.18, as bicycles having both wheels over 25 inches, weighing less than 36 pounds complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding 1.625 inches. The duty rate applicable to these products in 1988 was 5.5% ad valorem.

ERROR IN CONVERSION FROM TSUS TO HTSUS

The exact metric conversion of 25 inches is 63.5 cm. In drafting the conversion of the TSUS to the Harmonized System, however, the drafters converted the "having both wheels over 25 inches in diameter" requirement to "having both wheels exceeding 65 cm in diameter". This, coupled with the fact that standard 26" wheels actually are about 25 1/2 inches, resulted in a duty increase of 5.5% ad valorem for most standard 26" bicycles as they are now being classified in HTSUS Item 8712.00.10 at the rate of 11% ad valorem. This Item was intended to cover bicycles with wheels less than 25" in diameter. This reclassification appears to have resulted from an oversight on the part of the drafters, as the ITC records indicate no intention to raise the duty rate of 26" bicycles.

In addition, the drafters also converted the requirement "not designed for use with tires having a cross-sectional diameter exceeding 1.625 inches" to "not designed for use with tires having a cross-sectional diameter exceeding 4 cm." This conversion from 1.625 inches to 4 cm. rather than 4.13 cm. also appears to have been an oversight. By rounding down to 4 cm. the drafters inadvertently changed the classification of some of the bicycles "not designed for use with tires having a cross-sectional diameter exceeding 1.625 inches."

The conversion was intended to be revenue neutral, that is, it was intended that the rates being paid by U.S. importers and the protection given by those rates to U.S. manufacturers would not be changed in any appreciable way by this conversion.[1] As concerns all 26" inch bicycles with tires not exceeding 1.625 inches, however, this basic premise has not been carried out. This failure was clearly not intentional on the part of the drafters. In fact, the ITC has stated to us that it has no trace of any intent to change the classification and duty-rate of twenty-six inch bicycles. It is impossible to imagine that congress could intend to double the duty rate of an entire line of bicycles without keeping any records of the change.

SCOPE AND PURPOSE OF THE PROPOSED LEGISLATION

H.R. 1981 is intended to correct these evident mistakes, by replacing the measurements presently used in the HTSUS with the exact "hard" conversion from the English to metric system. It would change the HTSUS provisions to read as follows: (new language inserted in bold):

Harmonized System

Heading/ Subheading	Description	Duty Rate
8712.00	Bicycles and other cycles (including delivery tricycles), not motorized:	
8712.00.10	Bicycles having both wheels not exceeding 63.5 cm in diameter..............	11%
	* * *	
	Bicycles having both wheels exceeding 63.5 cm in diameter:	
8712.00.20	If weighing less than 16.3 kg. complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding **4.13 cm**..................	5.5%
8712.00.30	Other..................................	11%

H.R. 1981 will correct an obvious error in the conversion of the bicycle measurement from the english to the metric system. It will restore a 5.5% duty rate to bicycles that were dutiable at 5.5% under the TSUS.

EFFECTS OF THE PROVISION ON U.S. INDUSTRY AND REVENUE

1. *The Domestic Industry*

The bicycle industry is comprised of two segments: the dealer segment which Trek is a part of, and the mass merchant segment. The dealer and mass merchant segment of the industry do not compete

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[1] USITC Pub. 1400, Report on Investigation No. 332-131, The Conversion of the TSUSA into the Nomenclature Structure of the Harmonized System, (June, 1983), at p. 2: "The President provided guidelines for converting the present Tariff Schedules of the United States (TSUS) to the Harmonized system (footnote omitted). The Commission was directed: "to avoid, to the extent practicable and consonant with sound nomenclature principles, changes in the rates of duty on individual products...." See also: Office of the United States Trade Representative, Harmonized System Implementation Act of 1987, Submitting Report (June, 1987), at p.9:"The above-described results are not surprising given the amount of time and effort invested in making the conversion a trade neutral product. Every effort was made all along to ensure that there would be no adverse economic consequences for U.S. Industry as a result of the conversion."

with one another. The price range in the dealer segment is between $150.00 - $2,500.00, and the average price point is $250.00. The mass merchant segment of the industry sells bikes in the price range of $40.00-$150.00, with the average price point being somewhere around $80.00-$90.00. Dealer bicycles are purchased by bicycle enthusiasts, such as long-distance tourists, racers, or triatheletes concerned with quality, service, and the specifications of the bicycle. The most important selling feature of the mass merchant bicycles is price, and, for the most part, these bicycles are purchased for the use of children.

Trek was founded in 1976 in Waterloo, Wisconsin as a high-end frame builder. Shortly afterwards, Trek began building complete bicycles for the dealer segment. Trek bicycles are well known among bicycle enthusiasts for their quality, high performance and service. As a result, Trek has grown to be a formidible competitor in the dealer segment of the bicycle industry and now employs approximately 400 people.

As a domestic manufacturer of the type of twenty-six inch bicycles which are subject of H.R. 1981, Trek is qualified to address the question of what effect H.R. 1981 will have on the domestic bicycle industry.

a. No increase in competition against domestic industry.

The purpose of H.R. 1981 is to correct an error made in the conversion from the TSUS to the Harmonized System. Bicycles which were subject to a 5.5% duty under the TSUS would continue to be subject to a 5.5% duty rate after the enactment of H.R. 1981, while bicycles which were subject to a 11% duty rate under the TSUS will continue to be subject to a 11% duty rate after the enactment of H.R. 1981. There would be no increase or decrease in the competitiveness of domestic bicycles as a result of the enactment of H.R. 1981.

b. H.R. 1981 permits Trek's imports to remain profitable, supporting it's domestic production of bicycles.

The domestic production of bicycles by Trek is made possible by the overall dealer program, and imported bicycles at key price points is a fundamental element of the dealer program. The error in the conversion of the TSUS to the Harmonized resulted in a 100% increase in the duties Trek pays on its imports and as a result, jeopardizes Trek's ability to supply it's dealers with bicycles at key price points. Unless the error is corrected, it will result in a substantial disruption of Trek's marketing plans and in a decrease in profits. This, in turn, would threaten Trek's domestic production of bicycles.

2. *Revenue Effect of the Provision will be nil.*

If this provision is enacted, we estimate that there will be no change in the revenue collected in calendar 1989 over 1988. The reason for this statement is apparent from the discussion above. The products covered by H.R. 1981 were dutiable at a rate of 5.5% in 1988. Under this measure, they would be dutied at the same rate, preserving the revenue neutrality which was intended when the Harmonized System was enacted.

3. *Effect Upon Pricing to Consumers*

If H.R. 1981 is enacted, it will have no effect on pricing of the subject bicycles to consumers. Pricing was planned to take a 5.5% duty rate into account. If the measure is not passed, the increased duty will have to be worked into the price and passed along to the consumer or the sale and marketing of these products will have to be cut back or stopped to the detriment of Trek's overall service and marketing plan. Either of these consequences will be unfortunate. Consumers will have to pay more for the bicycles because of an unintended duty increase. If the sale and marketing of the imported bicycles is decreased, Trek's domestic production of bicycles will be negatively effected.

4. *Trade Policy Implications and Administration by Customs*

H.R. 1981 will have no trade policy implications. It is simply a correction of a technical error in the conversion from the English measurement system in the TSUS to the Metric measurement system in the Harmonized. As regards the Customs administration of this measure, there will be no difficulty whatsoever. It is merely a correction in the measurements used, and Customs will be able to implement it by telex to the ports involved within 15 days of enactment.

5. *Retroactivity*

We point out again that the purpose of this bill is to restore the dutiable status of the subject 26" bicycles as it was under the TSUS. Until such status is restored, Trek will be paying 11% as opposed to 5.5% on the imports of its bicycles. Retroactive application will ensure that an error in the conversion does not result in losses to Trek and other bicycle importers who support their domestic production with their imports.

CONCLUSION

For all of the reasons above, we urge passage of H.R. 1981. We stand ready to provide you with any further information which is needed, or to answer any questions that the Subcommittee members may have.

Respectfully Submitted,

Sonnenberg, Anderson,
O'Donnell & Rodriguez
Attorneys for Trek Bicycle
Corporation

By: Mary E Gill
Mary E. Gill

Of Counsel:

Steven P. Sonnenberg
Mary E. Gill

H.R. 1982

To correct the tariff classification of timing apparatus with opto-electronic display only.

101st CONGRESS
1st Session

BEFORE THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

STATEMENT ON BEHALF OF
THE WEST BEND COMPANY
DIVISION OF DART INDUSTRIES, INC.
IN SUPPORT OF
H.R. 1982
TO AMEND THE HARMONIZED TARIFF
SCHEDULE OF THE UNITED STATES

This statement is submitted on behalf of The West Bend Company, Division of Dart Industries, Inc., 400 Washington Street, West Bend, Wisconsin, by its attorneys, Sonnenberg, Anderson, O'Donnell & Rodriguez, 200 West Adams Street, Chicago, Illinois 60606. If there is a hearing on this bill, the company will be represented by its General Counsel, Edward T. Hackney, Esq., and by Michael A. Johnson, Esq., of Sonnenberg, Anderson, O'Donnell & Rodriguez.

PURPOSE OF H.R. 1982

This bill is intended to correct an mistake in the conversion of the Tariff Schedules of the United States (TSUS) into the Harmonized Tariff Schedule of the United States (HTSUS), which has resulted in a four-fold increase in the duties assessed on a line of small, battery operated, solid-state, digital display kitchen and household timers and clock/timers imported by West Bend under its trade name and marketed by it in the United States. The correction is made by inserting a new classification provision in the appropriate heading in the HTSUS.

In 1988, the duty on the products assessed under Item 688.36 of the TSUS was 3.9% ad valorem (plus 5.3% on the batteries). In 1989, the duty on these same products assessed under Item 9106.90.-80 of the HTSUS will be 45 cents each plus 7% plus 2-1/2 cents on each jewel. Since the timers and clock/timers have an import value of approximately $2.50 each, the ad valorem duty computes to about 25% under the HTSUS, as opposed to 3.9% ad valorem under the TSUS. This is a rate increase of about 21%. It is about four times the amount of duty which was assessed under the TSUS.

The purpose of the bill is, therefore, to carry out and restore the revenue neutrality of the conversion from the TSUS to the HTSUS which was promised by Congress to U.S. importers and manufacturers and by the drafters to the Congress by conforming the rate applicable to these timers and clock/timers under the HTSUS to that which prevailed under the TSUS. The bill does not, to our knowledge, affect any United States manufacturing industry. It effect on consumers in the United States will be beneficial, as the prices for West Bend and competing imported products will not have to be raised. In addition, the United States will lose no revenue to which it would have been entitled under the TSUS, or under the HTSUS, if it reflected a proper duty neutrality in conversion as regards these imported articles.

As will be explained in detail the next sections, we do not believe that the increase in duty rate for West Bend's products or for imported articles which are similar to them was intended by the drafters and we do not believe that they intended in any way to depart from the promised revenue neutrality of the conversion. We believe that the change is duty rate is the result of a mistake in the insertion of parallel provisions in the HTSUS which appears to have been unintentional and the result of an oversight concerning the articles covered by the converted TSUS Item.

DESCRIPTION OF THE ARTICLES

The imported West Bend timers and clock/timers are small consumer products. They can all be carried in the hand or on the person. Some of them tell the time of day and can also measure and display intervals of time. Some of them only measure and display intervals of time. They are called "timers". In the latter category, are medication timers, game timers, and kitchen timers. All of the timers and clock/timers are included in the HTSUS definition of watch and clock movements. The products all have what is known to the public as a "digital display" and what is called by the HTSUS an "opto-electronic display." Such display provides a read-out in numbers. The timers and clock/timers have only this liquid crystal display. They do not have dials or hands. Thus, they have no mechanical "movement".

A fuller description of the products is provided in under numbers (2) through (9) of the classification ruling under the HTSUS issued by the U.S. Customs Service on May 2, 1989 (NY 839903), classifying the products under HTSUS Item 9106.90.80. A copy is attached as Exhibit 1.

CLASSIFICATION OF THE TIMERS AND CLOCK/TIMERS UNDER THE TSUS

Under the TSUS, the West Bend's timers and clock/timers, which the company has been importing in various forms for about 6 years, were all classified under Item 688.36. Item 688.36 provided for other electrical articles, not specially provided for, and carried a duty-rate in 1988 of 3.9% ad valorem. Replaceable batteries imported in the articles classified in this provision were separately dutied at 5.3% ad valorem. The batteries in West Bend's products are manufactured in the United States and, therefore, have always been treated as U.S. merchandise returned (i.e., they are not assessed any duties).

The basis for this classification were the decisions of the United States Customs Court (now the Court of International Trade) and its appellate tribunal in *Texas Instruments, Inc.* v. *United States*, 82 Cust. Ct. 272 and 287, C.D.'s 4810 and 4811 (1979), *aff'd*, *United States* v. *Texas Instruments, Inc.*, 67 CCPA 57 and 59, C.A.D.'s 1243 and 1244, 620 F.2d 269 and 272 (1980). In these cases, the courts held that solid state electronic actuating devices (including quartz crystals) resulting only in digital display for watches, clocks and other products made with them were not watch or clock movements as defined by the TSUS and that, therefore, the products made therewith were not watches, clocks, or timers for tariff purposes. For that reason, they were classified in the general ("basket") provision for other electrical articles, not specially provided for. The difficulty with such a basket provision for statistical purposes and also for the purposes of redrafting the TSUS is that the range of products classifiable therein is not necessarily clear from inspection of the statutory language.

CLASSIFICATION OF THE TIMERS AND CLOCK/TIMERS UNDER THE HTSUS

In drafting the conversion of the TSUS to the Harmonized System, the drafters redefined "watch movements" and "clock movements" to include movements which operate by quartz crystal or other electronic means and have digital displays. We have no objection to this change in headnotes, which was intended to restore products which the public regards as clocks, watches and timers to the clock, watch and timer provisions, and which conforms to the international practice as established by the Harmonized System.

In order to effect this change and to preserve the revenue treatment of watches and clocks with solid-state movements and digital displays under the TSUS and thereby comply with the Congressional intent that the enactment be revenue neutral, the drafters of the HTSUS carefully inserted new eight digit provisions in the revised schedule to carry forward the 3.9% rate for digital watches and clocks and watch and clock movements.[1] Examples of these provisions in Chapter 91 of the HTSUS may be found in headings 9101.91, 9102.12, 9102.91, 9103.10, 9104.00.05, 9104.00.25, 9105.11.40, 9105.21.40, and 9105.91.40, 9108.12.00, 9109.11.10, and 9109.19.10. The text of these provisions is provided in Exhibit 2 hereto.

By what appears to us to have been a mere oversight, a provision analogous to the provisions cited in Annex 2 was not created for timers and timing apparatus in Heading 9106 of Chapter 91. It must be recalled that the TSUS Item 688.36, where these products were classified is a "basket" provision which contained numerous articles. The drafters were very aware of watches and clocks, but neither they nor we specifically considered the classification of timers and clock/timers under the new provisions at the drafting stages.

The current HTSUS provisions for timing apparatus, therefore, do not include a provision which carries over the rate from the TSUS which was applicable to these products - 3.9% (+ 5.3% on the batteries).

As shown by the above-referenced ruling issued on May 2, 1989, by the United States Customs Service, West Bend's timers and clock/timers are to be classified in HTSUS Item 9106.90.80. This HTSUS Item, with its superior heading (9106) reads:

> Time of day recording apparatus and apparatus for measuring, recording or otherwise indicating intervals of time, with clock or watch movement or with synchronous motor (for example, time registers, time-recorders):

9106.10.00.00.2	Time registers; time recorders......	45¢ each + 7% + 2.5¢/jewel
9106.20.00.00.0	Parking meters......................	45¢ each + 7% + 2.5¢/jewel
9106.90	Other:	
9106.90.40.00.7	Time locks valued over $10 each...	45¢ each + 7% + 2.5¢/jewel
9106.90.80.00.8	Other..............................	45¢ each + 7% + 2.5¢/jewel

The language proposed in H.R. 1982 is intended to rectify this omission by inserting a new HTSUS Item 9106.90.60 at the eight digit level immediately after the item specifically referencing time locks. This new provision reads: "Battery or AC powered with opto-electronic display only".

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[1] At the level of eight digits, the HTSUS does not necessarily conform to classifications available in other national versions of the Harmonized Classification system, which is international and conventional only to the six-digit level.

As may be seen by reference to Annex 2, all of the language used in this provision is drawn from the parallel provisions incorporated in Chapter 91 of the HTSUS by the drafters. Language to be inserted at the eight digit level has been proposed in order to avoid insertion of a provision which might have effect on the international nature of the nomenclature. The rates of duty proposed in the bill are taken directly from the rates under TSUS Item 688.36 in effect in 1988.

We believe that the provision, as drafted, will contain all types of timing apparatus with electronic movements and opto-electronic displays only. Not included in the provision will be those articles specifically mentioned and provided for eo nomine in HTSUS Items 9106.10.00.00.2, 9106.20.00.C0.0, and 9106.90.40.00-.7, quoted above. The coverage of the proposed new HTSUS Item may contain articles which are not imported by our client. However, based upon the provisions cited in Annex 2, we are of opinion that this coverage mirrors the coverage of timing apparatus under TSUS Item 688.36 and is, therefore, warranted to effect the duty-neutral conversion of the TSUS to the HTSUS.

EFFECTS OF THE PROVISION ON U.S. INDUSTRY AND REVENUE

A. Articles of this Type are Not Produced in the U.S.

West Bend is not aware of any U.S. producers of the products at issue. West Bend has been marketing these or similar products in the United States since 1982. West Bend's marketing department is aware of no competition from timers of this type manufactured in the United States. All of the competition of which West Bend is aware is from other imported timers. If there were U.S. manufacturers of these products, West Bend would have encountered their products in the marketplace within six years.

We point out that this statement as to timers may be confirmed by the situation as regard electronic solid-state digital watches and clocks with opto-electronic display only. Almost none of those products is produced in the United States. Almost all are imported, largely from the Far East. The situation as regards these timers and clock/timers is very similar. Production of these products in the United States is simply not cost-effective.

We believe that thee proposed provision will therefore not have any effect on any U.S. industry and certainly does not burden any such industry with any increased competition.

2. Revenue Effect of the Provision

If this provision were enacted, we estimate that there would be no change in the revenue collected in calendar 1989 over 1988. The reason for this statement is apparent from the discussion above. The products covered by the bill were dutied at a rate of 3.9% + 5.3% on the batteries in 1988. Under H.R. 1982, they would be dutied at the same rate, preserving the revenue neutrality which was intended when the HTSUS was enacted.

If the provision is not enacted and imports continue under the HTSUS Item selected by Customs as correct (9106.90.80), the increase in revenue might reach one million dollars, although we have no source for imports of these products other than West Bend. Such an increase, however, would result from the enactment of provisions in the HTSUS which did not carry out the basic premise for the enactment of this new system: that it be revenue neutral as compared to the TSUS.

3. Effect upon Pricing to Consumers

If H.R. 1982 is enacted, it will have no effect on pricing of these products to consumers. Pricing was planned to take the 3.9% duty rate into account. If the measure is not passed, the increased duty (21% of the value at import) will have to be worked into the price and passed along to the consumer or the sale and marketing of these products will have to be cut back or stopped. Either of these consequences will be unfortunate. Consumers will have to pay substantially more for the products solely because of an unexpected duty increase and/or sales personnel and other service sector jobs will be scaled back or lost.

4. Effect upon West Bend

We wish to point out to you that West Bend is a large United States manufacturer of cookware and kitchen and household appliances. Both of these product lines are manufactured in the United States. The technology embodied in these products is also used as part of some household appliances. Keeping current on this technology incorporated in these timing devices is important to the company and allows it to consider inclusion of such features on other products made in the United States. Additionally, the timers product line forms a useful adjunct to cookware and appliance lines. The unintended and dramatic increase in the duty rates for the timing products at issue affects West Bend's marketing functions in the United States and will make the company less competitive overall.

4. Trade Policy Implications and Administration by Customs

We believe that this measure has no major trade policy implications. If the bill is not passed, West Bend's market position will be needlessly undercut and the goal of a revenue neutral conversion to the Harmonized System which did not disadvantage United States companies will not have been achieved as concerns these products.

As regards the Customs administration of this measure, there will be no difficulty whatsoever. It is merely a classification question and the coverage of the proposed new HTSUS Item number is very clear. Customs will be able to implement it by telex to the ports involved. Such telex can easily be issued within 15 days of enactment.

5. Retroactivity

We point out again that the purpose of H.R. 1982 is to restore the dutiable status of these products as it was under the TSUS. Until such status is restored, West Bend will be paying 21% more duty on its imports. These products were contracted for before the enactment of the HTSUS and West Bend cannot cancel these contracts. It will therefore suffer both cash flow and profit losses until this problem can be rectified. We believe that retroactive application is the surest way to guarantee that harm is not caused to the company by the failure (inadvertent though we believe it to have been) to convert the classification of these products in a manner which was revenue neutral.

CONCLUSION

For all the reasons stated above, we respectfully urge the Subcommittee to recommend inclusion of the provision of H.R. 1982 in this year's tariff legislation and recommend passage of such provision by the Ways and Means Committee to the full House of Representatives.

EXHIBIT 1

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
NEW YORK, N.Y.

NY 839903

REFER TO

MAY 02 1989

CLA-2-91:S:N:N3G:344

CATEGORY: Classification

TARIFF NO.: 9102.91.20; 5609.00.30; 9106.90.80

Michael A. Johnson, Esq.
Sonnenberg, Anderson, O'Donnell & Rodriguez
200 West Adams Street
Suite 2625
Chicago, Illinois 60606

RE: The tariff classification of a solid-state electronic stopwatch and various solid-state electronic timers from Hong Kong.

Dear Mr. Johnson:

In your letter of April 17, 1989, on behalf of The West Bend Company, West Bend, Indiana, you asked for a tariff classification ruling on various West Bend products. Eight samples were submitted with your request. They are:

(1) Product No. 40101: Sports model stopwatch--a solid-state electronic stopwatch with a digital LCD, in a plastic case with a textile neckcord. The 40101 is also a watch that tells the time of day.

(2) Product No. 40000: Triple Timer electronic timer with an LCD, in a plastic case--a solid-state countdown timer with three timing channels, each with a timing range of 1 second up to 10 hours. A single repeating tone sounds at the end of the pre-selected time period.

(3) Product No. 40005: Electronic timer with an LCD, in a plastic case--a solid-state electronic countdown timer, timing range 100 minutes through 1 second. A beeping tone sounds when the pre-selected time period ends.

(4) Product No. 40007: Electronic stopwatch/timer with an LCD, in a plastic case. The stopwatch/timer has a spring-loaded clip to enable attachment to an individual's belt. The spring-loaded clip can be set to serve as an easel to permit the timer to stand on a counter or table top, when used as a kitchen timer. A magnet glued to the back of the clip permits attachment of the timer to a metal surface. The stopwatch counts up to 60 minutes; the timer counts down from 100 minutes to 1 second. A beeping tone sounds at the expiration of the pre-selected time period.

(5) Product No. 40010: 24 Hour Recall timer--electronic timer with an LCD. The timer counts down from 1 minute at the low end and from 23 hours and 59 seconds at the maximum timing range. A beeping tone sounds at the expiration of the pre-selected time period. A plastic clip permits attachment to one's belt and a magnet glued to the back of the plastic clip permits attachment to a metal surface.

(6) Product No. 40014: On-Call Pill box timer--a solid-state electronic timer with an LCD, in a plastic case. The 40014 is a medication-reminder timer, with a compartment for storing pills and tablets. The timer can be preset to time the medication interval and a beeping alarm will sound when it is time for one to take his or her medication.

(7) Product No. 40022: Clock Timer--a solid-state electronic clock timer with an LCD, in a plastic case. The clock or timer function is selected by means a slide-switch at the right hand side of the case. The clock-timer has a spring-loaded clip for attachment to one's belt. The spring-loaded clip can be positioned to serve as an easel to permit the clock-timer to stand on a counter or table top. A magnet glued to the back of the clip permits attachment of the article to a metal surface.

(8) Product No. 40023: Game timer--an solid-state electronic timer with an LCD, in a plastic case. The 40023 is a countdown timer, intended for timing participants in games such as trivia and chess. A beeping alarm sounds at end of the time interval to let each player know his or her time is up.

(9) Product Nos. 40025 (Blue), 40026 (Almond), 40027 (Mauve) and 0028 (Gray): Clock Timer II--each is a solid-state electronic clock-timer with an LCD, in plastic cases of different colors. The four are basically the same as the 40022, as described in (7), above.

The applicable subheading for the West Bend 40101 sports model stopwatch will be 9102.91.20, Harmonized Tariff Schedule of the United States (HTS), which provides for wrist watches, pocket watches and other watches, other than those of heading 9101: other: battery powered: with opto-electronic display only. The rate of duty will be 3.9% on the movement and case plus 5.3% on the battery. The braided textile neckcord is separately classifiable under 5609.00.30, HTS, a provision for articles of yarn, strip or the like of heading 5404 or 5405, twine, cordage, rope or cables not elsewhere specified or included: of man-made fibers. The rate of duty will be 9%.

The applicable subheading for the West Bend 40000, 40005, 40007, 40010, 40014, 40022, 40023, 40025, 40026, 40027 and 40028 will be 9106.90.80, HTS, which provides for time of day recording apparatus and apparatus for measuring, recording or otherwise indicating intervals of time, with watch or clock movement. The rate of duty will be 45 cents each plus 7% plus 2 1/2 cents per jewel (the subject timers utilize solid-state movements with no moving parts and no antifriction jewels--the 2 1/2 cents portion of the compound rate is therefore inapplicable).

This ruling is being issued under the provisions of Section 177 of the Customs Regulations (19 C.F.R. 177).

A copy of this ruling letter should be attached to the entry documents filed at the time this merchandise is imported. If the documents have been filed without a copy, this ruling should be brought to the attention of the Customs officer handling the transaction.

Sincerely,

Jean F Maguire

Jean F. Maguire
Area Director
New York Seaport

EXHIBIT 1, page 3

H.R. 1982
Timing Apparatus

EXHIBIT 2
Page 1

May 30, 1989
The West Bend Company

Wrist watches, pocket watches and other watches, including stop watches, with case of precious metal or of metal clad with precious metal:
    Wrist watches, battery powered, whether or not incorporating a stop watch facility:

***

9101.12.00 With opto-electronic display only........3.9% etc.

Wrist watches, pocket watches and other watches, including stop watches, with case of precious metal or of metal clad with precious metal:

    Other:
9101.91 Battery powered:
9101.91.20 With opto-electronic display only.....3.9% etc.

Wrist watches, pocket watches and other watches, including stop watches, other than those of heading 9101:
    Wrist watches, battery powered, whether or not incorporating a stop watch facility:

***

9102.12.00 With opto-electronic display only...........3.9% etc.

Wrist watches, pocket watches and other watches, inlcuding stop watches, other than those of heading 9101:

***

    Other:
9102.91 Battery powered:
9102.91.20 With opto-electronic display only.........3.9% etc.

Clocks with watch movements, excluding clocks of heading 9104:
9103.10 Battery powered:
9103.10.20 With opto-electronic display only..............3.9% etc.

Instrument panel clocks and clocks of a similar type for vehicles, aircraft, spacecraft or vessels:
    With clock movements meassuring over 50 mm in width or diameter:
        Valued not over $10 each:
9104.00.05 With opto-electronic display only.........3.9% etc.

***

        Valued over $10 each:
9104.00.25 With opto-electronic display only..........3.9% etc.

	Other clocks:	
	Alarm clocks:	
9105.11	Battery powered:	
9105.11.45	With opto electronic display only..........	3.9% etc.
	***	
	Wall clocks:	
9105.21	Battery or AC powered:	
9105.21.40	With opto-electronic display only..........	3.9% etc.
	***	
	Other:	
9105.91	Battery or AC powered:	
9105.91.40	With opto-electronic display only..........	3.9% etc.

	Watch movements, complete and assembled:	
	Battery powered:	
	***	
9108.12.00	With opto-electronic display only................	3.9% etc.

	Clock movements, complete and assembled:	
	Battery or AC powered:	
9109.11	Of alarm clocks:	
9109.11.10	With opto-electronic display only..........	3.9% etc.
	***	
9109.19	Other:	
9109.19.10	With opto-electronic display only.........	3.9% etc.

H.R. 1983

To suspend temporarily the duty on 6-t-butyl 2,4xylenol.

No statements submitted.

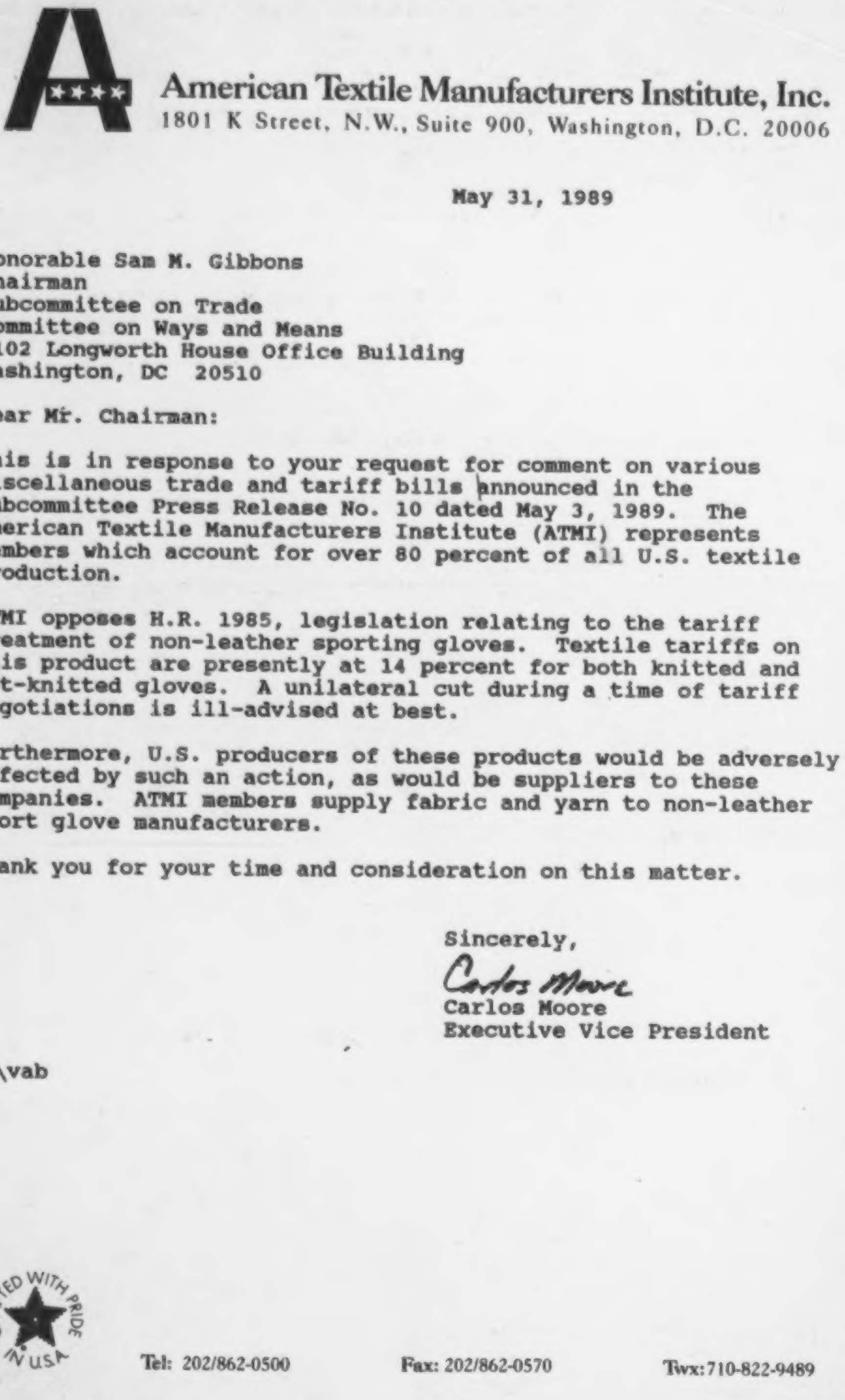
H.R. 1984

Relating to the tariff classification of protective ski racing apparel.

See contents pages for statements on this bill.

H.R. 1985

Relating to the tariff treatment of sporting gloves not of leather.



American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

May 31, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20510

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 10 dated May 3, 1989. The American Textile Manufacturers Institute (ATMI) represents members which account for over 80 percent of all U.S. textile production.

ATMI opposes H.R. 1985, legislation relating to the tariff treatment of non-leather sporting gloves. Textile tariffs on this product are presently at 14 percent for both knitted and not-knitted gloves. A unilateral cut during a time of tariff negotiations is ill-advised at best.

Furthermore, U.S. producers of these products would be adversely affected by such an action, as would be suppliers to these companies. ATMI members supply fabric and yarn to non-leather sport glove manufacturers.

Thank you for your time and consideration on this matter.

Sincerely,

Carlos Moore
Carlos Moore
Executive Vice President

CM\vab

CRAFTED WITH PRIDE IN U.S.A.

Tel: 202/862-0500 Fax: 202/862-0570 Twx: 710-822-9489

H.R. 1986

To suspend temporarily the duty on certain acid black powder and presscake.

BASF Corporation

BASF

May 19, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
US House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons notice of May 3, 1989, I am writing in support of H.R.1986, introduced by Representative Solomon, which provides for the temporary suspension of duty on certain black acid powders and presscakes.

BACKGROUND AND USES

Acid black powder and acid black presscake is used to produce both liquid and powder forms of dyestuffs for use in dyeing leather for applications in shoes, upholstery and garments.

Acid black powder and acid black presscake provides for more rapid uptake and fixation of the dye on the leather and certain economic and environmental advantages. This material assists domestic leather producers to compete with imported products.

There are no U.S. producers of acid black powder and acid black presscake.

Sincerely,

Jason E. Dayan

Jason E. Dayan, PhD.

Eight Campus Drive, Parsippany, New Jersey 07054 (201) 397-2700 Telex: 988-036 Telecopier: (201) 397-2737

H.R. 1987

To suspend the duty on rhodamine 2C base, polymin P and polymin P hydrochloride, and polymin SNA 60.

BASF Corporation

BASF

May 19, 1989

Mr. Robert Leonard
Chief Counsel, Committee on Ways and Means
US House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Leonard:

In response to Chairman Gibbons notice of May 3, 1989, I am writing in support of H.R.1987, introduced by Representative Solomon, which provides for the temporary suspension of duty on Rhodamine 2C Base, Polymin P and Polymin P Hydrochloride and Polymin SNA 60.

BACKGROUND

Rhodamine 2C Base

Rhodamine 2C Base is a chemical used as an intermediate for production of dyes and pigments. There are no domestic companies who currently produce this material for either internal use or sale. The last known domestic producer was duPont who discontinued these operations somewhere after 1975. The only major current source for this material is from West Germany. Through 1988 none of this material was imported. Instead, the material has been upgraded to produce the required dyes or pigments which are covered under the Color Index designations Basic Red 1 and Basic Red 1:1 and Pigment Red 81, 81:1, Pigment Red 160, and Pigment Red 169. Elimination of the duty would facilitate economic production of these dyes and pigments in U.S. manufacturing sites. Some of these products are currently produced and imported from England and West Germany.

Polymin P and Polymin P Hydrochloride

This imported product is the homopolymer of aziridine in water solution. Products of this type were produced by Dow Chemical until the mid 1970's under the trade name Tydex 12 and by Cordoba Chemical (Muskegon, Michigan) until 1981 (as a sulfate salt) under the Corcat trade name. Current material is only available from Western Germany and Japan.

Currently, construction of a new U.S. plant to produce this material is under consideration by BASF. Further development of the sales potential for this family of products via improvement of their current competitive position will assist in reaching the decision to make the required capital investment.

Eight Campus Drive, Parsippany, New Jersey 07054 (201) 397-2700 Telex: 988-036 Telecopier: (201) 397-2737

Polymin SNA 60

This polymeric chemical intermediate in water solution is used for domestic production of more complex polymers which offer economic advantages in pulp and paper manufacture. The basic building block for the subject is the homopolymer of aziridine. Products of this type (CAS-9002-98-6) were produced by Dow Chemical until the mid 1970's and by Cordoba Chemical until 1981. None are currently made in the U.S. Current annual imports of the subject material are in the 400-450 ton range. A new polyethylenimine facility is under consideration. Further development of the sales potential for this family of materials via improvement of their competitive position will assist in reaching the decision to make the capital investment in the U.S. facilities.

USES

Rhodamine 2C Base

Almost all the Basic Red 1 imported was used for printing ink applications or conversion to Pigment Red 81. Newer demand for Pigment Red 160 for similar uses also can be developed. The major uses for the pigment are as a primary color for high quality printing processes. Other uses include use in flourescent printing and coatings (paints) and as a colorant for specialty plastics.

Polymin P and Polymin P Hydrochloride

The product is used in production of lamination of paper boards, adhesives, and inks as well as a flocculent for enzyme immobilization (removal) and also for coatings on textiles. It is also helpful in flocculation of solids in paper machines, improving the efficiency of effluent treatment plants.

Polymin SNA 60

Polymin SNA is used to make other polymers in existing domestic facilities. These polymers help retain fibers and filler chemicals used in paper and paper board production including mixtures containing groundwood and/or waste paper. Due to its function, it also reduces environmental concerns for BOD and COD. They also allow the paper machines to run in more closed systems which permits greater reuse of process water, thus saving total water usage in the production process.

Sincerely,

Jason E Dayan

Jason E. Dayan, Ph.D.

H.R. 1988

To temporarily suspend the duty on mixed ortho/para toluene sulfonomide.

WRITTEN TESTIMONY OF DAY-GLO COLOR CORPORATION

IN SUPPORT OF H.R. 1988

Day-Glo Color Corporation is a United States company principally engaged in the manufacture, use, and sale of flourescent pigments. It has manufacturing facilities in Cleveland, Ohio and Cudahy, California and regional sales offices and warehouse facilities throughout the United States. Its corporate headquarters are in Cleveland, Ohio.

Day-Glo strongly supports H.R. 1988, a bill to temporarily suspend the duty on mixed ortho/para toluene sulfonomide (the "Product"). Day-Glo uses the Product as a raw material in the production of daylight fluorescent pigments. The Product is the key element in the production of most of Day-Glo's fluorescent pigments, accounting for approximately 25 percent of Day-Glo's total raw material costs. Day-Glo cannot produce satisfactory quality fluorescent pigments unless it uses the Product in its production process.

There have been no domestic producers of the Product for over two years. Day-Glo and other domestic consumers of the Product have been forced to purchase this essential raw material exclusively from foreign producers. Day-Glo's forced dependence on foreign-produced Product has increased Day-Glo's costs and reduced its competitiveness vis-a-vis foreign companies in both the United States and in foreign countries. Until January 2, 1989, Day-Glo had been able to minimize this problem by purchasing most of its requirements of the Product duty-free from South Korea and Taiwan under the GSP program.

On January 2, 1989, South Korea and Taiwan lost their GSP eligibility, and Day-Glo has been forced to pay a 13.5% tariff on all of its imports of the Product. Consequently raw material costs have skyrocketed, harming Day-Glo's ability to compete both here in the United States and abroad.

During the 100th Congress legislation identical to H.R. 1988 was introduced in the House (H.R. 4266) and in the Senate (S. 2489). The Ways and Means Committee approved H.R. 4266 on September 7, 1988, but no further action was taken on it before the end of the 100th Congress.

Because there are no domestic manufacturers of the Product no U.S. industry will be harmed by the temporary duty suspension under H.R. 1988. Day-Glo and other U.S. consumers of the Product will be made more competitive in the world economy by the proposed duty suspension. Therefore, Day-Glo strongly urges the Committee to act affirmatively on H.R. 1988.

H.R. 1989

To suspend temporarily the duty on certainun stuffed dolls.

Serko & Simon
Counsellors at Law
Customs & International Trade Law

One World Trade Center . Suite 3371
New York, N. Y. 10048 . 212-775-0055
Telex: 426816 Trade Cable: Trade Attys
Facsimile: 212-839-9103

Metropolitan Square . Suite 300
655 Fifteenth Street, N.W.
Washington, D.C. 20005 . 202-639-4017

Bank South Building . Suite 1400
Atlanta, Georgia 30303 . 404-659-4488

Banco de San Juan Building
Suite 302 . P.O. Box 3222
Old San Juan, P.R. 00904 . 809-723-3672

New York - May 30, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Bldg.
Washington, D.C. 20515

Re: Comments on HR 1989

Dear Mr. Leonard:

On behalf of our client, Russ Berrie & Company, Inc. (Russ Berrie) of Oakland, New Jersey, we are writing in support of HR 1989 introduced by Congressman Robert Torricelli. This bill would temporarily suspend duty on certain unstuffed dolls.

Russ Berrie is an importer and distributor of giftware, stuffed animals, toys and dolls. Its product line contains more than 10,000 different items which are sold and distributed throughout the country.

Russ Berrie's rapid growth over the past several years has been widely reported in the American business press. It is a public company listed on the New York Stock Exchange.

Russ Berrie sales for 1988 were in excess of $250,000,000, and it currently employs over 1,700 people. The company had 400 employees in this country in 1980, and sales exceeded $34,440,000 at that time. The company believes that price stability is important for future growth and profitability.

In times of reduced value of the U.S. dollar, Russ Berrie has found that the prices of many of the products it has purchased, have increased greatly.

HR 1989 would temporarily suspend the duty for unstuffed dolls, whether or not dressed, not over 33 CM in height and valued over 5¢ per unit entered on or before December 31, 1995.

Unstuffed dolls are produced primarily in the Far East. China and Taiwan are the world's largest producers of unstuffed dolls, and they are the largest suppliers to the U.S. market.

The equipment utilized to make these dolls is cutting machines, sewing machines and decorating equipment depending, of course, upon the materials. The manufacturing costs for unstuffed dolls are usually determined by the cost of raw materials and labor. It is for this reason that most producers of large quantities of this type of product have attempted to manufacture in developing countries where labor costs are much lower than those in the United States. The principal reason for this is the high labor content of unstuffed dolls, as they require substantial sewing and finishing by hand. The granting of duty suspension for unstuffed dolls will result in a more price competitive market and benefit the U.S. consumer. It will have a positive effect on the toy industry by increasing sales and employment. Savings in cost will be passed on to the consumer and will result in increased sales.

Based on our research at the Department of Commerce, there is no domestic industry information available on unstuffed dolls. We believe that these items are not produced in the U.S in significant commercial quantities.

The following are the imports-consumption IM 146 value statistics obtained from the U.S. Department of Commerce for the period covering 1986-1988. These statistics are for unstuffed dolls up to 13 inches in height.

Unstuffed Dolls
IM 146 Statistics
1986-1988
(thousand dollars)

Dollar Value

U.S. Imports	1986	1987	1988
Malaysia	8,245	16,315	17,694
Philippines	10,419	11,854	1,694
China	59,664	84,662	114,406
Korea	1,998	2,142	1,368
Hong Kong	73,233	30,695	12,901
Taiwan	31,772	37,903	14,936
Other	10,662	10,007	27,421
Total Imports	194,199	193,582	177,279

Most of these unstuffed dolls are relatively inexpensive and are primarily produced in the Far East. The 1988 statistics show a shift in production from Hong Kong and Taiwan to Malaysia and other underdeveloped nations. This is a positive sign which shows that the lesser developed countries are creating industry which can generate dollars to purchase more American products.

A reduction in duties on this item would allow Russ Berrie and other importers to maintain price stability at a time when falling dollar values in the Far East have caused prices to rise on imported unstuffed dolls. There is a real concern in the industry that continued increases in price could result in reduced sales and a loss of domestic jobs in sales and distribution.

In the past four years the value of the dollar has dropped by approximately fifty percent. Even with a current rise in the dollar's value of 6%, prices for most imported products have increased sharply.

There is a real concern in the industry that continued increases in prices will result in reduced sales and a loss of domestic jobs in sales and distribution.

In the past year the Russ Berrie Company has had to lay off two hundred fifty employees, and the company lost sales of some $20 million. In 1989 these losses caused the company to take an additional write-off of $9.5 million in assets.

Since there is no U.S. production of this item, the granting of duty suspension will have no adverse effect upon a United States industry, but it will have a positive effect on the toy industry by increasing sales, employment and profits. Savings in cost are passed on to the consumer and result in increased sales. Increased sales result in increased employment.

Therefore, on behalf of our client Russ Berrie & Company, Inc., we strongly urge favorable consideration by the Ways & Means Committee of this bill to temporarily suspend the duty for unstuffed dolls, not over 33 CM in height.

We respectfully request an opportunity to appear at any scheduled hearing for HR 1989.

Thank you for your consideration of our request.

Sincerely,

SERKO & SIMON

Joel K. Simon

H.R. 1990

To suspend temporarily the duty on certain unstuffed toys.

Serko & Simon
Counsellors at Law
Customs & International Trade Law

One World Trade Center . Suite 3371
New York, N. Y. 10048 . 212-775-0055
Telex: 426816 Trade Cable: Trade Attys.
Facsimile: 212-839-9103

Metropolitan Square . Suite 300
655 Fifteenth Street, N.W.
Washington, D.C. 20005 . 202-639-4017

Bank South Building . Suite 1400
Atlanta, Georgia 30303 . 404-659-4488

Banco de San Juan Building
Suite 302 . P.O. Box 3222
Old San Juan, P.R. 00904 . 809-723-3672

New York - May 30, 1989

Robert J. Leonard, Esq.
Chief Counsel
Committee on Ways & Means
U.S. House of Representatives
Room 1102
Longworth House Office Bldg.
Washington, D.C. 20515

Re: Comments on HR 1990

Dear Mr. Leonard:

On behalf of our client, Russ Berrie & Company, Inc. (Russ Berrie) of Oakland, New Jersey, we are writing in support of HR bill 1990 introduced by Robert Torricelli. This bill would temporarily suspend duty on non-stuffed toys representing animals and non-human creatures.

Russ Berrie is an importer and distributor of Christmas ornaments, stuffed animals, giftware, toys and dolls. Its product line contains more than 10,000 different items which are sold and distributed throughout the country.

Russ Berrie's rapid growth over the past several years has been widely reported in the American business press. It is a public company listed on the New York Stock Exchange.

Russ Berrie sales for 1988 were in excess of $250,000,000, and it currently employs over 1,700 people. The company had 400 employees in this country in 1980, and sales exceeded $34,440,000. The company believes that price stability is important for future growth and profitability.

In times of reduced value of the U.S. dollar, Russ Berrie has found that the prices of many of the products it has purchased have increased greatly.

HR 1990 would temporarily suspend the duties for all non-stuffed toys representing animals or non-human creatures and parts and accessories for such goods (valued over 5¢ per unit) entered on or before December 31, 1995. These articles are currently provided for in subheading 9503.49.00 of the Harmonized Tariff Schedule of the United States Annotated (HTSUSA). HR 1990 would amend chapter 99 of the HTSUSA by inserting a new subheading 9902.95.10.

Subheading 9503.49.00 covers all non-stuffed toys representing animals or non-human creatures and parts and accessories thereof. The articles covered by HR 1990 would include but not be limited to non-stuffed toys, with or without a spring mechanism, of metal or other materials such as plastics, textiles, etc.

Based on our research at the Commerce Department, there is no industrial information available on said non-stuffed toys. We believe that these items are not produced in the U. S. in any significant commercial quantities.

The following are the U.S. Imports-Consumption IM 146 value statistics compiled by the Department of Commerce for non-stuffed toy figures of animate objects for the period covering 1986-1988.

Non-Stuffed Toy Figures
of Animate Objects
(thousand dollars)

Dollar Value U.S. Imports	1986	1987	1988
Mexico	5,708	4,269	2,138
China	22,570	60,251	83,696
Korea	8,886	24,629	15,147
Hong Kong	35,787	30,387	26,531
Taiwan	49,545	66,744	36,992
Other	13,795	12,952	9,203
Total Imports	127,294	199,235	173,710

Most of these toys are relatively inexpensive and are primarily produced in the Orient. The major producers are Taiwan, Hong Kong, China, Korea and Mexico. A reduction in duties on these items would allow Russ Berrie and other importers to maintain price stability at a time when falling dollar values in Asia have caused prices to rise on imported non-stuffed toys. Some of the said items which Russ Berrie imports are flocked plastic animals (see exhibit 1), monsters with plastic bodies, molded plastic animals (see exhibit 2), hollow animals (see exhibit 3) clip-ons (see exhibit 4), animal or non-human creature stick ups (see exhibit 5), etc. We enclose for your ready reference photographs of some of these items.

In the past four years the value of the dollar has dropped by approximately fifty percent. Even with a current rise in the dollar's value of 6%, prices for most imported products have increased sharply.

There is a real concern in the industry that continued increases in prices will result in reduced sales and a loss of domestic jobs in sales and distribution.

In the past year the Russ Berrie Company has had to lay off two hundred fifty employees, and the company lost sales of some $20 million. In 1989 these losses caused the company to take an additional write-off of $9.5 million in assets.

Since there is no U.S. production of these items, the granting of duty suspension will have no adverse effect upon a United States industry, but it will have a positive effect on the toy industry by increasing sales, employment and profits. Savings in cost will be passed on to the consumer and will result in increased sales. Increased sales will result in increased employment.

Therefore, on behalf of our client, Russ Berrie & Company, Inc., we strongly urge favorable consideration by the Ways and Means Committee of this bill to temporarily suspend the duty for non-stuffed toys.

We respectfully request an opportunity to appear at any scheduled hearing for HR 1990.

Thank you for your consideration of our request.

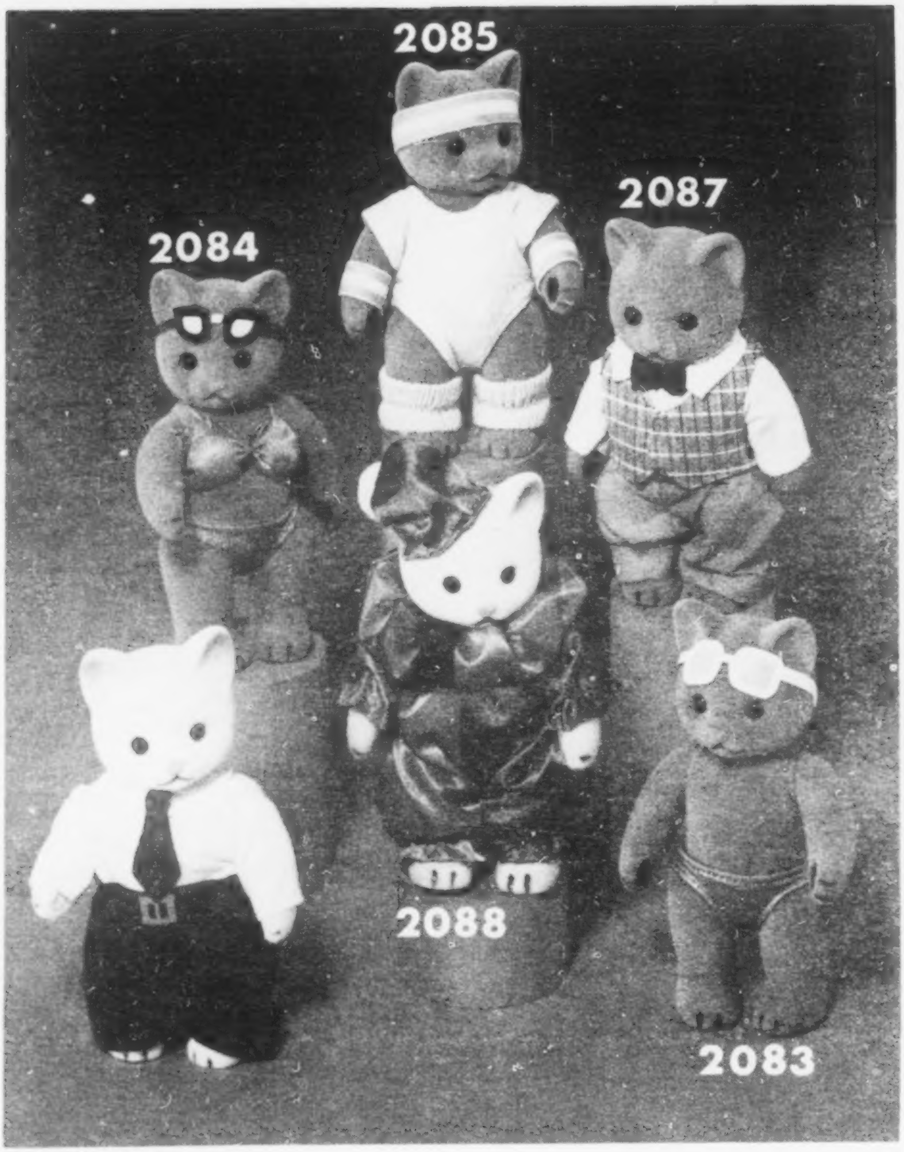
Sincerely,

SERKO & SIMON

Joel K. Simon

JKS/mem

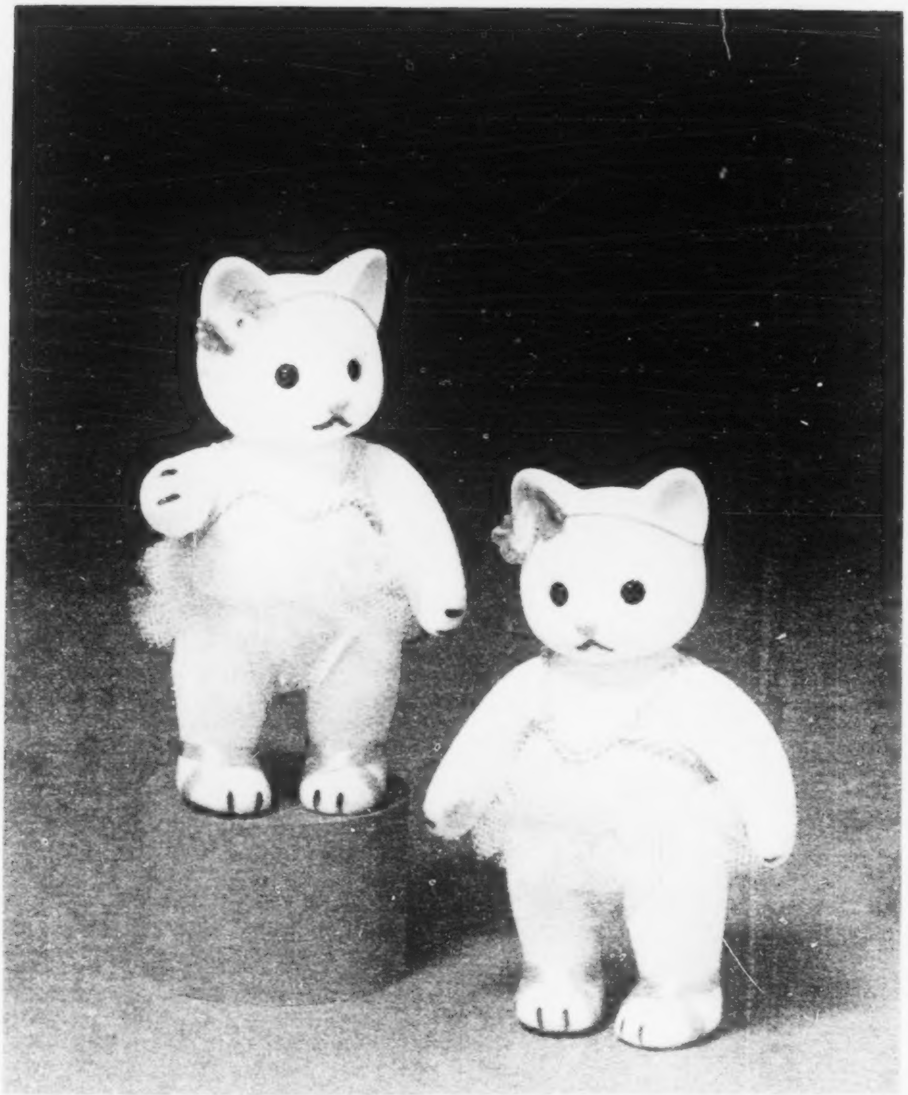
EXHIBIT 1


2085
2087
2084
2088
2083

RUSS

#2080 CAT SOCIETY ("A" ASST.)
4 pieces each of 6 styles
Size: 4½"
Cost: $60/deal, Suggested Retail: $5.00

Individual Styles
Cost: $30.00/dozen

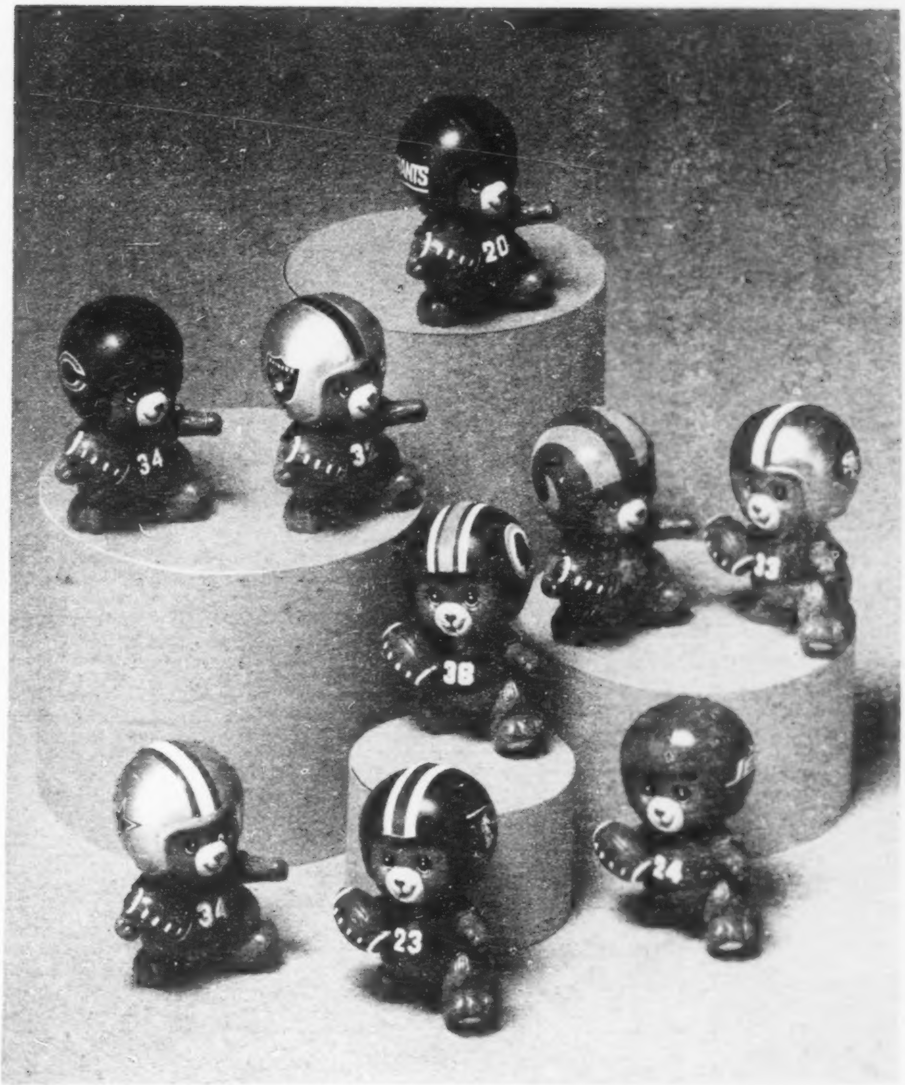


RUSS

#2095 CAT SOCIETY BALLERINA
Size 4½
Cost $36/dz Suggested Retail $6.00

PLASTIC MOLDED BODY W/FLOCKING

Exhibit 2

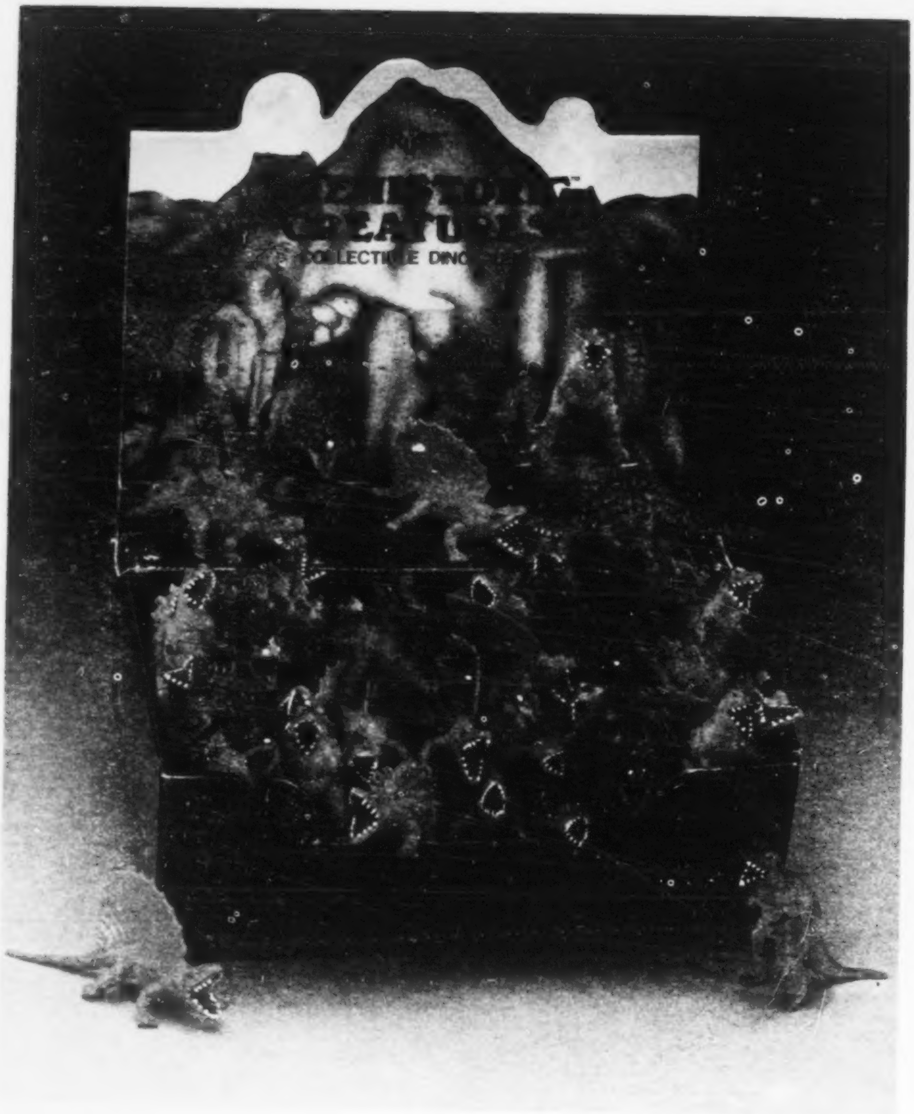


RUSS®

NFL LI'L WORLD OF SPORTS
28 teams available
Cost: $21/dozen
Suggested Retail: $3.50

#7302	Giants
#7303	Bears
#7304	Raiders
#7305	Rams
#7306	49'ers
#7307	Redskins
#7308	Cowboys
#7309	Broncos
#7310	Jets

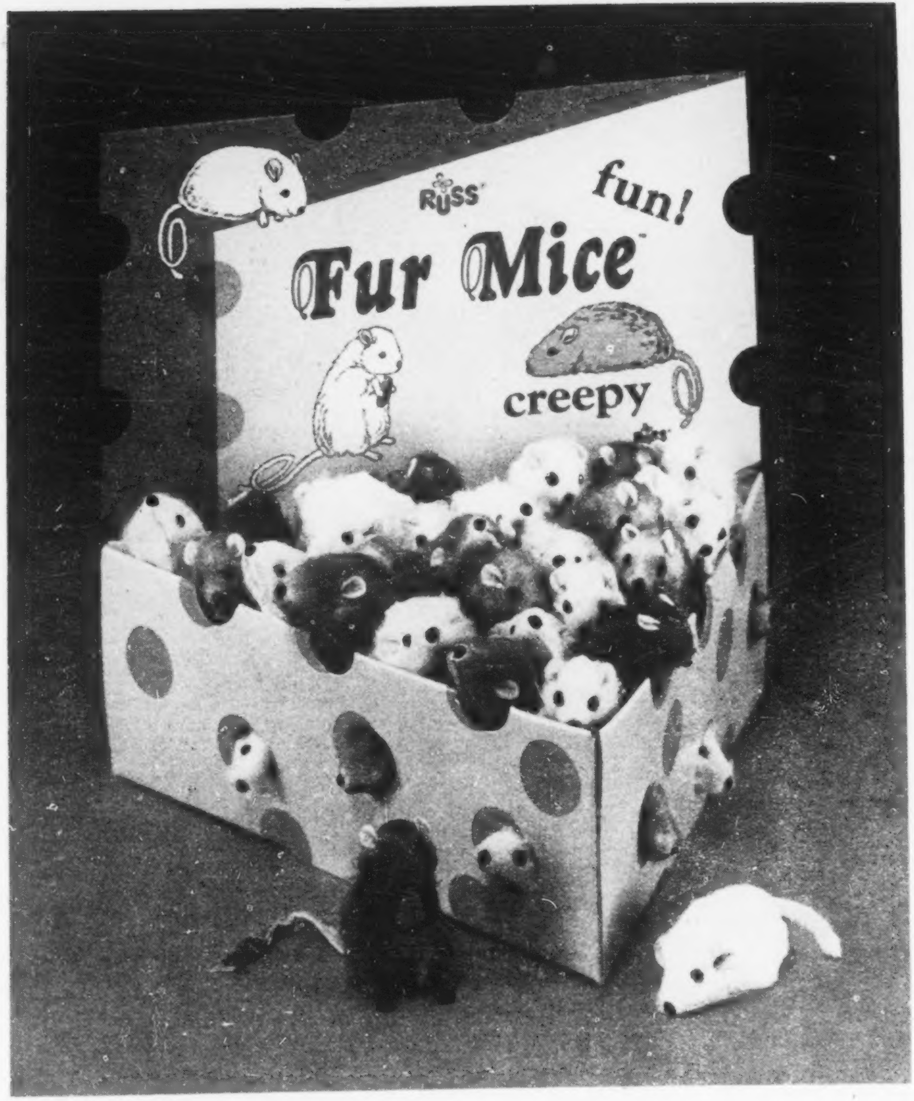
Molded plastic BODIES



RUSS **#3023 Prehistoric Creatures Collectable Dinosaurs**
8 pieces each of 6 styles with display
Size: 4"-5". Display Size: 12¼"(h) x 11"(w) x 10"(d)
Cost: $30.00/deal, Suggested Retail: $1.25

Plastic Molded

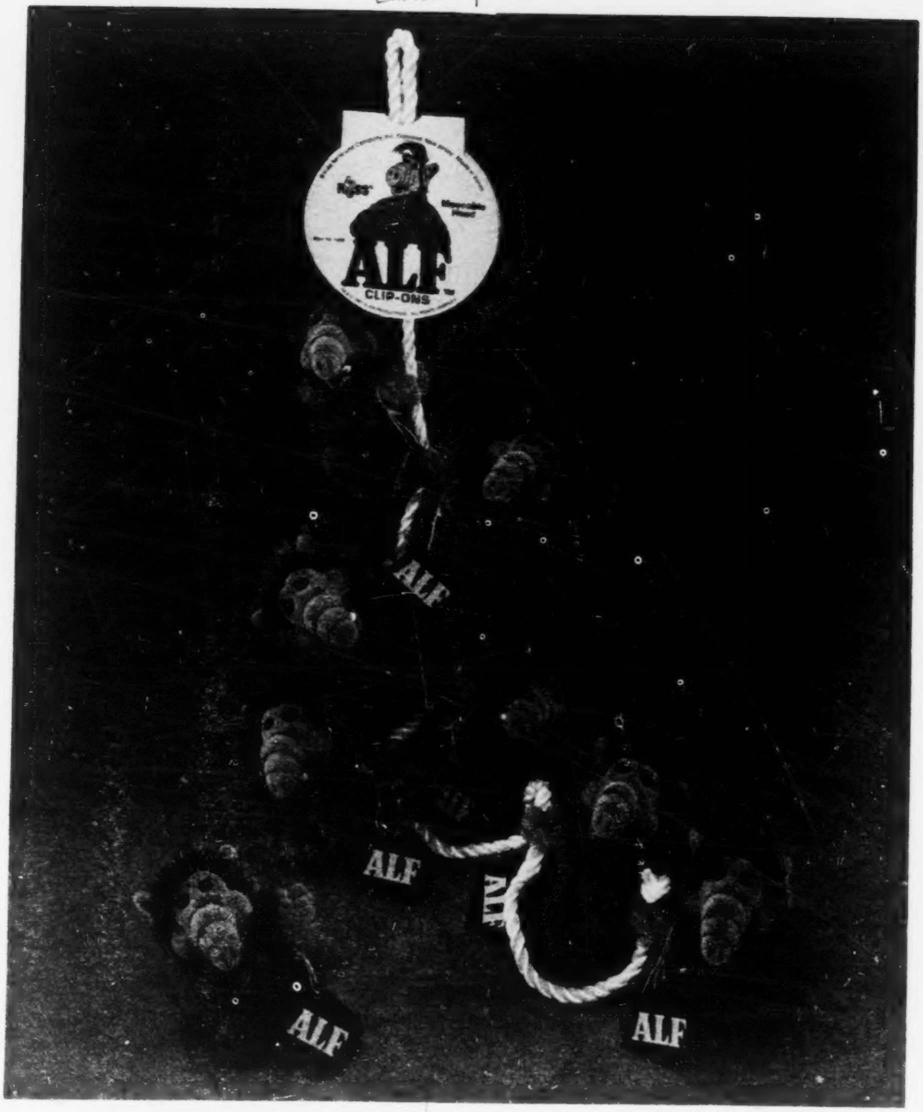
Exhibit 3


RUSS
Fur Mice
fun!
creepy

RUSS **#257 FUR MICE**
6 dozen asst. w/display
Size: 2"; Display Size: 8½" x 8½" x 9"
Cost: $72.00/deal; Suggested Retail: $2.00

Hollow bodied MICE

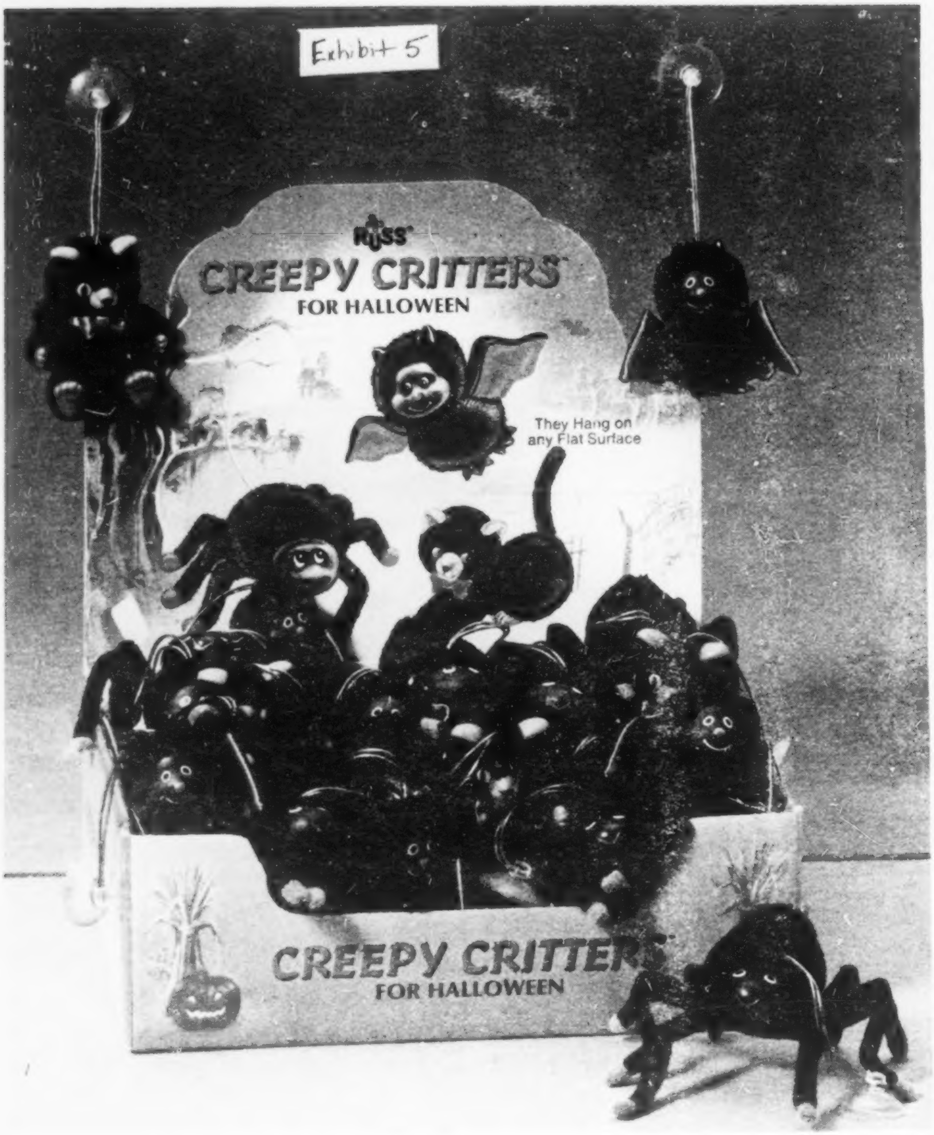
Exhibit 4


RUSS
ALF
CLIP-ONS
ALF
ALF
ALF
ALF
ALF

RUSS®

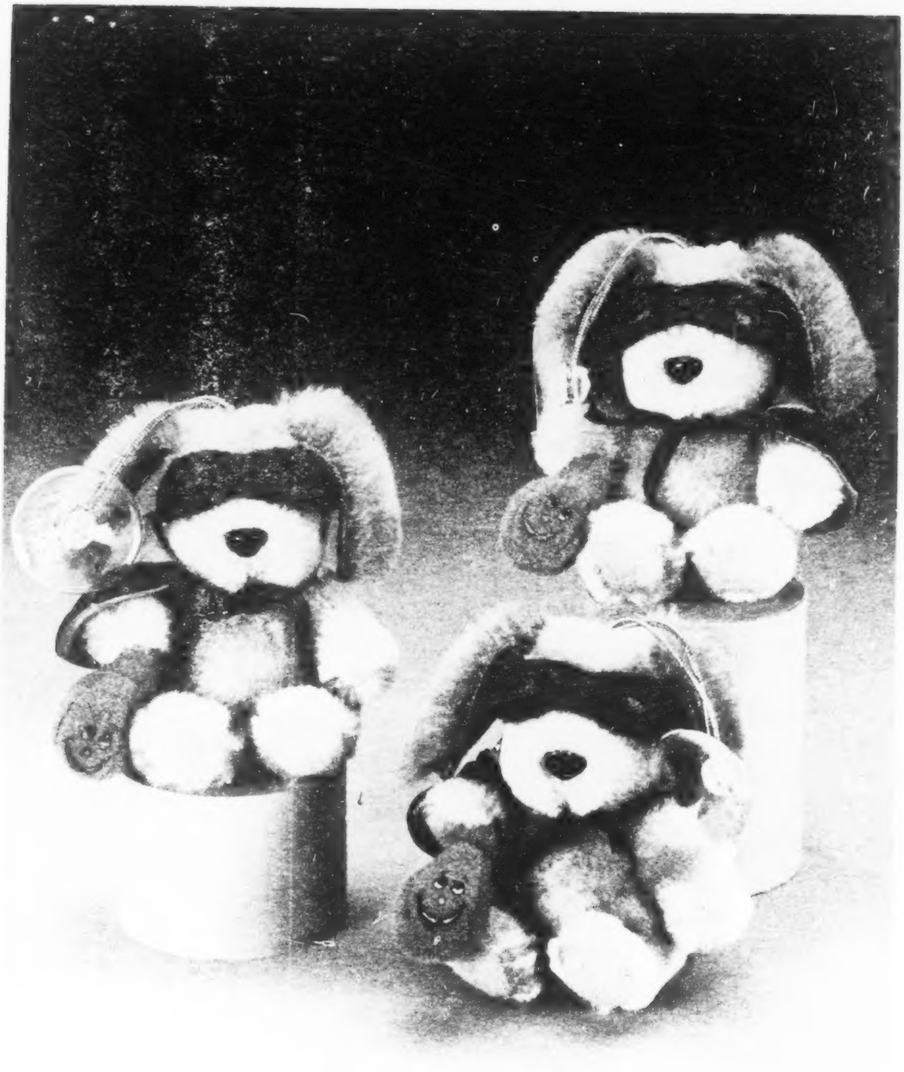
#1399 ALF™ Clip-ons
2 dozen w/rope display
Size: 3½"
Cost: $48.00/deal, Suggested Retail: $4.00

Exhibit 5


RUSS
CREEPY CRITTERS
FOR HALLOWEEN
They Hang on any Flat Surface
CREEPY CRITTERS
FOR HALLOWEEN

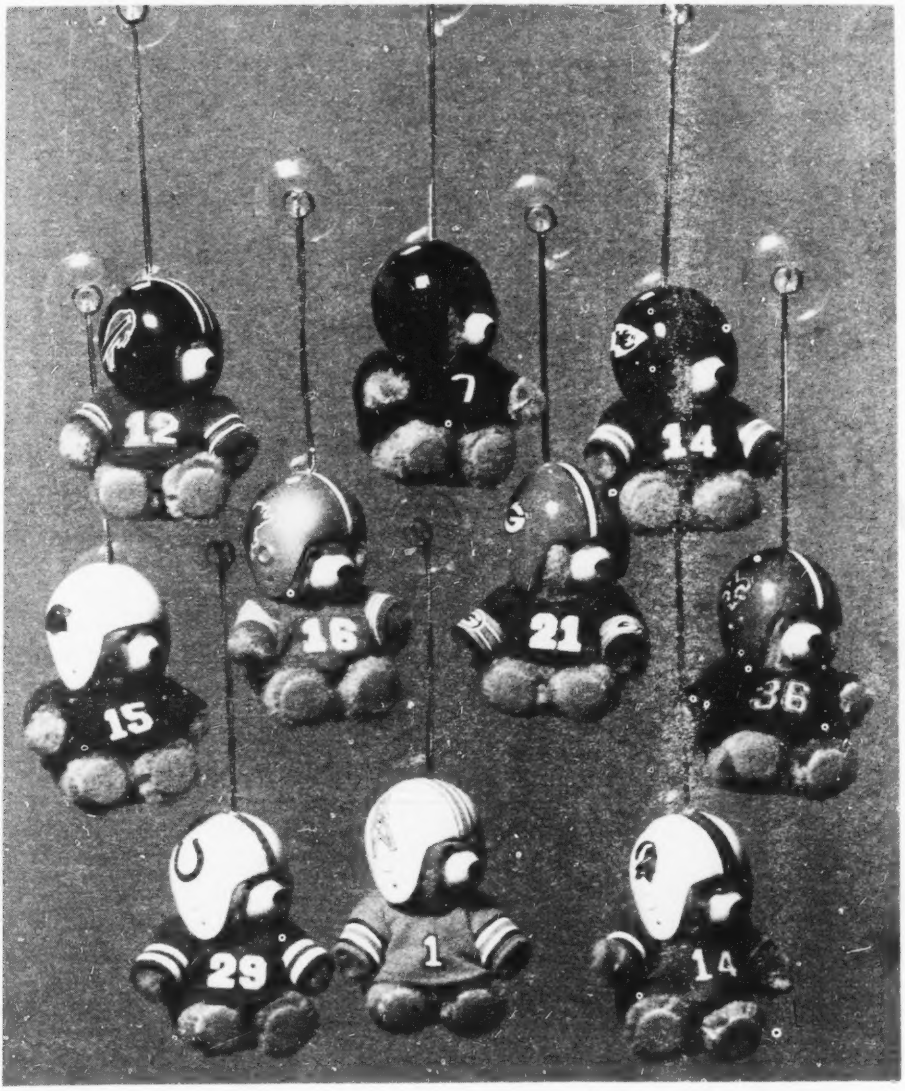
RUSS

#253 "CREEPY CRITTERS" STICK-UPS
8 pieces each of 3 styles, w/display
Size: 2 1/2" - 3", Disp.: 10"(w) x 9"(d) x 11"(h)
Cost: $48/deal Suggested Retail: $4.00
p



RUSS

#259 Li'l Tricks Pup Stick Ups
2 dozen w/display
Cost: $42/deal, Size: 3"
Suggested Retail: $3.50
p



RUSS

NFL STICK-UPS
2 dozen in counter display
Cost: $60/deal
Suggested Retail: $5.00

#7018	Bills
#7020	Bengals
#7021	Chiefs
#7022	Cardinals
#7023	Lions
#7026	Packers
#7027	Saints
#7030	Colts
#7031	Oilers
#7032	Buccaneers

PLASTIC MOLDED BODIES W/PLUSH FINISH

H.R. 1991

Relating to the tariff treatment of certain disposable garments.

No statements submitted.

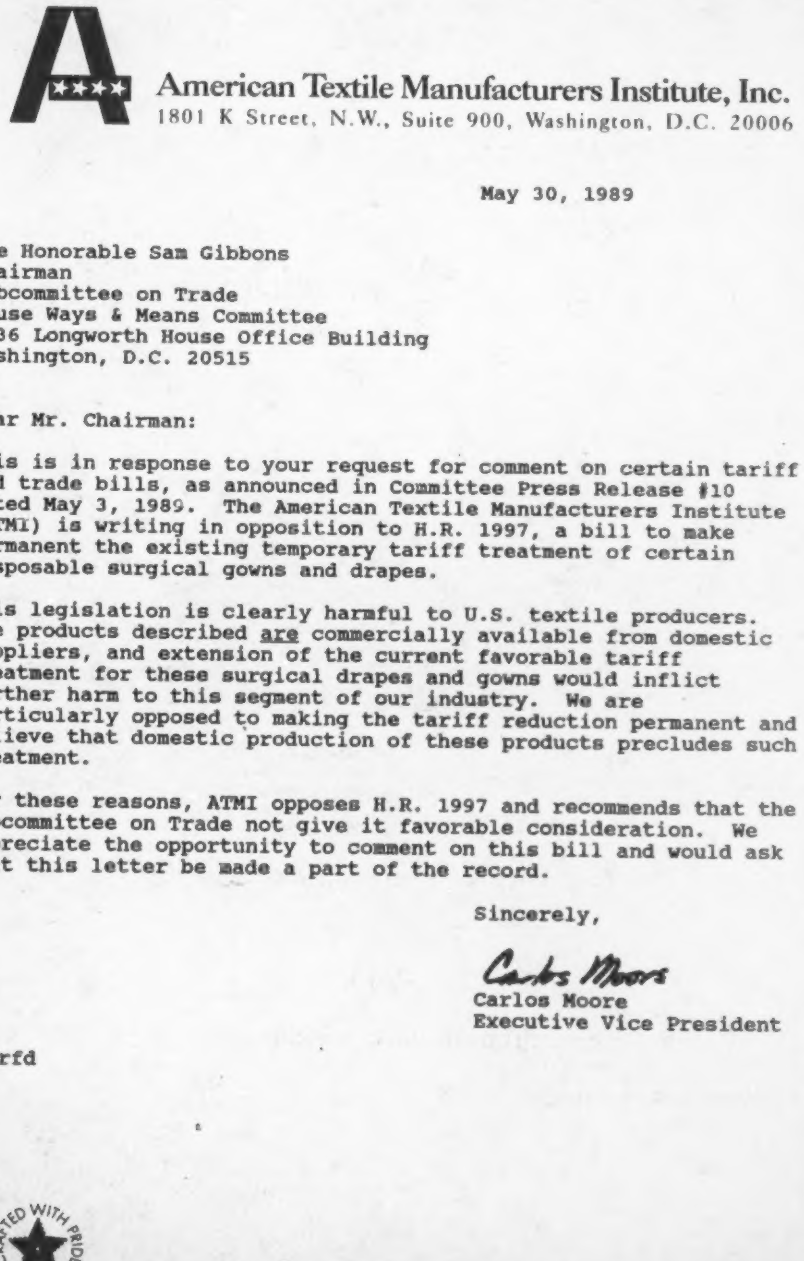
H.R. 1996

To suspend temporarily the duty on 1,4-diamino-2,3 dihydroanthraquinone.

See contents pages for statements on this bill.

H.R. 1997

To amend the Tariff Schedule of the United States to make permanent the existing temporary tariff treatment of certain disposable surgical gowns and drapes.



American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

May 30, 1989

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Ways & Means Committee
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your request for comment on certain tariff and trade bills, as announced in Committee Press Release #10 dated May 3, 1989. The American Textile Manufacturers Institute (ATMI) is writing in opposition to H.R. 1997, a bill to make permanent the existing temporary tariff treatment of certain disposable surgical gowns and drapes.

This legislation is clearly harmful to U.S. textile producers. The products described are commercially available from domestic suppliers, and extension of the current favorable tariff treatment for these surgical drapes and gowns would inflict further harm to this segment of our industry. We are particularly opposed to making the tariff reduction permanent and believe that domestic production of these products precludes such treatment.

For these reasons, ATMI opposes H.R. 1997 and recommends that the Subcommittee on Trade not give it favorable consideration. We appreciate the opportunity to comment on this bill and would ask that this letter be made a part of the record.

Sincerely,

Carlos Moore

Carlos Moore
Executive Vice President

CM/rfd

Tel: 202/862-0500 Fax: 202/862-0570 Twx: 710-822-9489

EXXON CHEMICAL COMPANY

EXXON
CHEMICALS

DAVID L. BAIRD
Manager - Public Affairs

May 31, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
House Committee on Ways and Means
Room 1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

We appreciate the opportunity to comment on HR 1997 which would make permanent the existing temporary tariff treatment of certain disposable gowns and drapes. We support this legislation.

This legislation provides duty equity at 5.6% ad valorem for 100% man-made disposable surgical drapes and sterile gowns with others made of blends of man-made and natural fibers which under Customs rulings are classified as "reinforced paper" and enter at the lower 5.6% paper rate. Without the legislative remedy, the 100% polypropylene drapes and gowns would enter at rates 1 1/2 to 3 times that of the ones considered paper even though both have the same end use.

In addition, the medical gowns and drapes made of the polypropylene base sheet will continue to promote lower health care costs because the bacterial properties of this fabric have been proven to reduce hospital infection and reinfection. The manufacture of these man-made products, even with the very labor intensive assembly operations performed in Mexico, has provided business and jobs domestically.

We believe making this duty parity permanent is equitable and appropriate in light of these similar products, with the same end use, being treated differently due to the Customs rulings. This legislation will continue to provide these man-made fabrics an opportunity to compete fairly and to promote health care cost containment. We urge you to act favorably on this proposal.

Yours very truly,

DLB/mr

A division of Exxon Corporation
9 Old Kings Highway South, Darien, Connecticut 06820-4675

STATEMENT OF HERCULES INCORPORATED

Mr. Chairman, it is a privilege to have the opportunity to present this statement to you and the members of the Subcommittee on the bill H.R. 1997, which if enacted, would permanently reduce the duty on certain disposable surgical gowns and drapes.

We feel this legislation is equitable and appropriate. If this legislation is not enacted, when the current temporary provision expires, the tariff schedule would apply a duty rate of 5.6 percent *ad valorem* to gowns and drapes made of a combination of paper and polyester, while again, applying a higher duty rate of 17 percent *ad valorem* to gowns and 9 percent *ad valorem* to drapes made of bonded-fiber fabric. More specifically, the bonded-fiber fabric gowns are 100 percent polypropylene. The paper gowns classified as reinforced paper, thus eligible for the lower rate, are actually about 45 percent polyester and 55 percent wood pulp. Since the chief component of value of both is man-made fiber, no rationale exists for one fabric to enjoy such a favorable rate of duty.

Further this legislation is still narrowly drawn so that it applies only to disposable surgical drapes and sterile gowns of bonded-fiber fabric. The tariff equalization would not apply to industrial protective apparel, lab coats or contamination gowns.

Additionally, we are advised that the 100 percent polypropylene product has desirable medical benefits over the reinforced paper product. For this reason, if for no other - the better health care of our citizens - the two products ought to be able to compete fairly. As you know, health care costs are continually on the rise and when the opportunity to reduce costs presents itself we hope the House and Senate will continue to respond favorably. In addition, during the period that the temporary provision has been in effect providing duty equity for these disposable surgical gowns and drapes, there has been no indication of injury to other parties because of this legislation. Consequently, it would seem appropriate to allow these similar products with the same end-use to compete fairly in the market place by continuing this duty equalization legislation.

Mr. Chairman, we appreciate the opportunity to present this information to you and we know the Subcommittee will seriously consider our view.

Johnson & Johnson

1667 K STREET, N.W.
SUITE 410
WASHINGTON, D.C. 20006
202/293-2620

May 31, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of Johnson & Johnson I would like to comment in support of H.R. 1997, a bill that will make permanent the temporary duty treatment on certain disposable surgical gowns and drapes.

We believe this legislation should be made permanent, as a step toward covering other medical products as well. It serves the interest of price moderation and creates a climate for fair competition and expansion in this industry sector.

For this reason, we urge favorable action on H.R. 1997.

Sincerely,

Nicholas L. Ruggieri
Director, Washington Affairs

Written Comments of
Nonwovens, Medical and Technical Products Sector,
JOHN S. METZ, VICE PRESIDENT, PROFESSIONAL HEALTH CARE
Kimberly-Clark Corporation
to the
Subcommittee on Trade
of the
House Committee on Ways and Means
on
H.R. 1997

May 31, 1989

I. INTRODUCTION

The following written comments are filed on behalf of the Nonwovens, Medical and Technical Products Sector of Kimberly-Clark Corporation (hereafter, "Kimberly-Clark" or the "Corporation") in support of H.R. 1997, a bill to make the temporary changes in tariff treatment on certain disposable surgical gowns and drapes permanent.

Kimberly-Clark Corporation, its consolidated subsidiaries and equity companies are engaged in a worldwide business employing advanced technologies in absorbency, fiber-forming and other fields. The Corporation manufactures and markets a wide range of products (most of which are made from natural and synthetic fibers) for personal care, health care, and other uses in the home, business and industry.

Kimberly-Clark products and services include household and institutional tissues; feminine, infant and incontinence care products; industrial and commercial wipers; hospital and home health care products; and related products. These products are sold under a variety of brand names such as Kleenex, Kotex, New Freedom, Huggies, Delsey, Hi-Dri, Depend, Kimwipes, Kimguard and Evolution.

This class includes nonwoven materials made by a process of bonding or interlocking fibers, yarns or filaments. These materials have characteristics similar to some woven textiles. Nonwoven fabrics are used in Kimberly-Clark products for infant care, feminine care, home and professional health care, and for industrial and commercial wiping markets. These fabrics also are sold as a base material to other converters.

II. PURPOSE OF H.R. 1997

The rationale for seeking to make permanent the temporary reduction in duties for disposable gowns to be sterilized ("sterile gowns") and surgical drapes of bonded-fiber fabric is to continue the remedy of a significant tariff inequity which would again exist if this legislation is not favorably acted upon.

Disposable hospital gowns and drapes predominantly of paper, or of combinations of paper and man-made fibers, are classified in the Harmonized Tariff Schedule of the United States ("HTS") subheadings 6210.10.20 and 6307.90.60 with an applicable duty rate of 5.6% *ad valorem*. Disposable surgical drapes and sterile gowns predominantly of bonded-fiber fabric (man-made fiber) are classified in HTS subheadings 6307.90.70 and 6210.10.40; without this legislation, these same end-use products would be subject to duty rates substantially higher. For example, 6307.90.70 (drapes) is assessed a duty rate of 9% *ad valorem*, and the duty rate applied to 6210.10.40 (gowns) is 17% *ad valorem*.

H.R. 1997 *permanently* reduces the rate of duty on *disposable surgical drapes and sterile gowns* comprised of *bonded-fiber fabric* to a level of *tariff parity* with other disposable surgical drapes and sterile gowns comprised of polyester, nylon, polyethylene, polypropylene, and wood pulp combinations. The majority of producers of these disposable products or base sheet materials currently pay 5.6% on value added, while Kimberly-Clark Corporation, without this duty parity, would have to pay duties up to three times this amount.

III. DESCRIPTION OF H.R. 1997

Since the original introduction of the temporary tariff equalization measure nearly eight years ago, but prior to its enactment in 1984, a number of changes were made in the language to significantly narrow its scope. This narrowing is still contained in H.R. 1997 which includes only disposable sterile gowns of bonded-fiber fabric contained in HTS subheading 6210.10.40. The general apparel categories for such items as coats, shirts, suits, trousers, and slacks, of man-made fibers are not included in H.R. 1997.

H.R. 1997 provides for a permanent duty reduction to 5.6% *ad valorem*. The original term of the temporary provision provided time for Kimberly-Clark to assess the success and effectiveness of our major capital investment for the manufacture of the polypropylene base sheet. In addition, this trial period demonstrated that the reduction has had a favorable effect on U.S. industry and jobs by expanding the demand for U.S. component fabric production facilities, raw material suppliers and other supporting operations without disrupting the drape and gown markets. Also, since most of these disposable hospital gowns and drapes assembled in Mexico already enter at the 5.6% *ad valorem*, to suggest that this miscellaneous tariff item should be temporary so that it can be utilized when a United States-Mexico Free Trade Agreement is negotiated is not realistic or cost effective.

The Multilateral Trade Negotiation ("MTN") final staged tariff reduction occurred January 1, 1987. In 1990, the 5.6% tariff rate applicable to our products would automatically increase if Congress decides against continuing this duty parity. The 1987 final MTN implementation rates of 9% and 17% for surgical drapes and sterile gowns, respectively, would then be applicable to Kimberly-Clark's products and any others made of similar fabric. Thus, even with the implementation of all MTN staged reductions, Kimberly-Clark would still pay for its disposable polypropylene surgical drapes and sterile gowns, duties equal to 160% and 300%, respectively, of the duties paid by medical converters of polyester blended fabrics manufactured by others.

IV. DESCRIPTION OF THE U.S. CUSTOMS RULING ENABLING DISPOSABLE HOSPITAL PRODUCTS, WHOSE COMPONENT OF CHIEF VALUE IS MAN-MADE FIBER, TO ENTER THE U.S. AT 5.6% AD VAL. AS REINFORCED PAPER

Although, as discussed above, Kimberly-Clark's products are used identically to those of its competitors, Kimberly-Clark found it necessary to seek a legislative solution because it is unable to fit within existing Customs Service rulings. The Customs Service has issued two rulings which classify a competitive fabric as "reinforced paper," although the "reinforced paper's " component of chief *value* is polyester. The effect of these rulings is to treat comparable competitive products with identical end-uses very differently.

These rulings, numbered 027919 (July 6, 1973) and 055364, (February 19, 1980), classify disposable operating room gowns consisting of up to 55% polyester and 45% wood pulp as "reinforced paper," importable at 5.6% *ad valorem*. The first ruling indicated that when a layer of tissue paper produced from wood pulp on a standard paper-making machine and a layer of polyester mat are entangled by pressure from sprayed water, the resulting base sheet is reinforced paper. Interestingly enough, laboratory testing indicates that a layer of finished paper, manufactured on a paper-making machine, is not essential to the production of this particular product. Pulp fibers have been found to be substitutable. Thus, it appears that one of the key reasons for including a sheet of paper in the process is to be able to state that a paper-making machine was used in the process, ignoring the fact that the majority of the process involves textile machinery.

The second ruling was a response to a request for internal advice on the first ruling from the District Director of Customs in El Paso, Texas. The District Director questioned the logic of the first ruling and indicated that the component of chief value was polyester, thus classifying the product as man-made fiber apparel. He also indicated that only the initial paper sheet, and not the entire finished base sheet, was made on a conventional paper-making machine. Customs responded that the component of chief value rule was irrelevant because reinforced paper is an "eo nomine" (describing a product by name) classification provision. Secondly, Customs responded that "[i]t is sufficient that the paper used in producing the reinforced paper first was made on a standard paper-making machine without modifications" for the entire finished base sheet to be classified as reinforced paper.

Thus, in effect, Customs has indicated that the fact that the component of chief value of fabric is polyester is irrelevant, and that so long as the initial base sheet is made on a paper-making machine, the result of blending the base sheet with any amount of man-made fiber is reinforced paper, not a textile, and carries a duty rate of 5.6% ad valorem. This ruling ignores the fact that the component of chief value is polyester and that, in fact, the product is a textile combined with paper rather than a paper reinforced with textile or "reinforced paper."

Our purpose was and is not to find error with the Customs Service rulings but, rather, to show the need for this legislation by pointing out that, as a result of these rulings, one type of fabric is assessed a tariff substantially lower than that of an identical end-use competing product. Thus, merely because our fabric does not contain a minimal amount of paper made on a paper-making machine, this ruling places Kimberly-Clark at a very substantial disadvantage. The component of chief value for both fabrics has been man-made fiber and the production process, excluding manufacture of the paper, is a textile process for both. The finished products have the same end-uses and are sold to the same markets.

Kimberly-Clark's 100% polypropylene base sheet has demonstrated such desirable characteristics as low lint, effective bacterial barrier properties, resistance to strikethrough from body fluids such as blood, good fabric breathability and drapability, and minimal likelihood of supporting flame. Our polypropylene base sheet is a desirable product advancement that contributes to the well-being of both the patient and the surgical team and to hospital cost containment by helping to reduce infection and reinfection. Illogical application of duty rates should not be used to prevent this product from continuing to reach hospitals throughout the U.S. at a price comparable to other disposable surgical drapes and sterile gowns.

V. DESCRIPTION OF THE MANUFACTURING PROCESS OF POLYPROPYLENE GOWNS AND DRAPES

Kimberly-Clark's polypropylene base sheet is manufactured wholly within the U.S. Polypropylene pellets, supplied by domestic producers, are poured into a hopper, and then melted, and pumped through extruders. Fine fibers exit the extruders and are collected as an unbonded mat on a forming wire. A calender is used to thermally bond several layers together, a process which is typical of paper-making. The result is a bonded-fiber fabric. We would like to emphasize that no spinning or weaving, in the traditional sense, characteristic of textile manufacturing is involved in the process.

VI. DESCRIPTION OF THE RELEVANT MARKET

H.R. 1997 would not change the competitive status of domestic assembly operations for disposable surgical drapes and sterile gowns. Within the total market of disposable surgical drapes and sterile gowns, we would estimate that those which are completely assembled in the U.S. represent less than 1% of the gowns and less than 6% of the drapes and that the production for all of these products employees less than 300 persons in the assembly operations. Prior to the temporary duty parity legislation among disposables, these domestic companies faced competition from disposable surgical drapes and sterile gowns re-entering the U.S. at a 5.6% ad valorem duty rate or duty free; after enactment of the parity legislation, they still faced that same competition. The continuation of the duty rates for surgical drapes and sterile gowns at 5.6% ad valorem will, therefore, cause no additional competitive burden on these totally intra-U.S. competitors than already exists.

Manufacturers continue to seek methods to minimize costs in order to cooperate with the health care cost containment efforts. The assembly of disposable surgical drapes and sterile gowns is labor intensive and consequently the majority of manufacturers cannot cost-effectively have the assembly performed in the United States. A chart is attached hereto as Attachment A, which sets forth estimates of the approximate market shares, product components, and tariffs of the companies comprising the disposable surgical drape and sterile gown market. The chart indicates that Kimberly-Clark would pay duties approximately one-and-one-half to three times higher than our competitors for entry of substantially identical products if these duty reductions are not continued.

The total technology utilized by Kimberly-Clark for manufacturing these products has developed over the years and is employed to varying degrees at a number of locations making the polypropylene base sheet. The Corporation has expended in excess of $155 million for the construction and expansion of our Corinth, Mississippi mill which now employs about 490 people. Further, the Corporation also has completed the U.S. polypropylene base sheet facility in LaGrange, Georgia at a cost of some $120 million as it had committed to do. This mill currently employs about 290 people and is still growing. In addition, another U.S. facility in Lexington, N.C. started up in December of 1985 at a cost of about $90 million, is presently being expanded, and currently employs about 150 people. In support of these new manufacturing jobs for the Health Care and Nonwoven business units, our facility in Tucson, Arizona where the cutting and preparation of the fabric and other materials are done prior to assembly in Mexico has grown to 130 employees during the last six years. In addition, while employment in Mexico has also grown, some of the packaging operations prior to sterilization are moving to the United States due to physicians requiring that more components be included in their sterile packings with the gown and drapes. Nonetheless, the continued success of our Health Care and Nonwoven business will remain a major factor in our long-range plans for the LaGrange, Lexington and Corinth facilities. Permanent tariff parity with the rest of the disposable surgical drape and sterile gown market will allow the Corporation to continue to compete on an equal basis without the recurring concern of possibly being placed at a significant disadvantage with our competitors who produce similar products with the same end-use.

VII. CONCLUSION

Kimberly-Clark believes that the temporary tariff reduction establishing tariff parity for disposable surgical drapes and sterile gowns at 5.6% ad valorem has corrected a competitive inadequacy in current tariffs. We also believe that the market experience of the past years bears out the claim that this action would not disrupt the market balance. Consequently, we feel that the facts support our request for continuation of these reduced duty rates which have helped to create U.S. jobs in construction, manufacturing, cutting, sterilization, sales and marketing. In addition, raw material and finishing suppliers and other supporting operations have benefitted.

We also note for the record that the Administration, in 1983, recognized that this tariff equalization measure was not amenable to multilateral or bilateral trade negotiations, resulting in a "no objection" position on Section 169 of P.L. 98-573 (H.R. 1226 during the hearings in April and May of that year before the Subcommittee on Trade of the House Committee on Ways and Means).

Kimberly-Clark urges passage of H.R. 1997 to make permanent the temporary tariff parity at 5.6% for disposable surgical drapes and sterile gowns manufactured of man-made bonded fiber fabric.

May 31, 1989

ATTACHMENT A

Market Share	Company	Components of Hospital Drape and Gown Products	Assembly Location	HTS Subheading #	1989 Tariff Rate
44%	Baxter Operating Room Div. of Baxter Inc. (Formerly Converters)	1) OPTIMA: 40% Polyester, 60% Wood Pulp	Mexico	6210.10.20 6307.90.60	5.6% ad val. 5.6% ad val.
		2) DEXTEX: 0-50% Polyester, 50-100% Wood Pulp	Mexico	6210.10.20 6307.90.60	5.6% ad val. 5.6% ad val.
36%	Surgikos Div. of Johnson & Johnson	1) FABRIC 450: 40% Polyester, 60% Wood Pulp	Mexico	6210.10.20 6307.90.60	5.6% ad val. 5.6% ad val.
9%	Professional Health Care Business of Kimberly-Clark	1) EVOLUTION: 100% Polypropylene	Mexico	6210.10.40 (9902.62.10) 6307.90.70 (9902.62.10)	17% (5.6%) ad val. 9% (5.6%) ad val.
6%	Boundary Health Care Products of Technimed (Formerly Kendall & P&G)	1) SONTARA: 53% Wood Pulp, 47% Polyester Spunlaced	U.S. & Dominican Rep.	6210.10.20 6307.90.60	None
		2) DEXTEX: 0-50% Polyester, 50-100% Wood Pulp	U.S. & Dominican Rep.	6210.10.20 6307.90.60	None
3%	Mars White Knight of Work Wear Corp.	1) SONTARA: 53% Wood Pulp, 47% Polyester	U.S. & Mexico	6210.10.20 6307.90.60	None & 5.6% ad val. None & 5.6% ad val.
		2) DEXTEX: 0-50% Polyester, 50-100% Wood Pulp	U.S., Haiti & Mexico	6210.10.20 6307.90.60	None & 5.6% ad val. None & 5.6% ad val.
2%	All Other	Various			

May 31, 1989

Notes:

- Some of these products contain binders and other treatment chemicals not included in the fiber percentages.
- Kimberly-Clark, DuPont, Chicopee, and Dexter are the primary producers of the component disposable base sheet for these hospital gowns and drapes. All of the base fabric is manufactured in the U.S.

Source of market share data: Hospital Supply Index - IMS America, 4th Quarter 1988 Report (covers 12 month period). These shares are comprised of disposable surgical gowns, and surgical packs and parts (drapes). Market share percentages represent the share of dollars.

H.R. 1998

To enable the filing of a protest relating to certain customs entries.

No statements submitted.

H.R. 2001

To suspend for a 3-year period the duty on Tfa Lys Pro in free base and tosyl salt forms.

See contents pages for statements on this bill.

H.R. 2003

To suspend for a 5-year period the duty on Dimethoate.

No statements submitted.

H.R. 2007

To provide for the suspension of duty on castoroil and its fractions.

RAYMOND J. McGRATH
5TH DISTRICT, NEW YORK

MEMBER
COMMITTEE ON
WAYS AND MEANS
SUBCOMMITTEE ON
SELECT REVENUE
MEASURES
SUBCOMMITTEE ON
OVERSIGHT

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE:
ROOM 206
CANNON HOUSE OFFICE BUILDING
(202) 225-5516

DISTRICT OFFICE:
203 ROCKAWAY AVENUE
VALLEY STREAM, NY 11580
(516) 872-9550

May 26, 1989

The Honorable Sam Gibbons
House Ways and Means
Subcommittee on Trade
1136 Longworth HOB
INSIDE MAIL

Dear Mr. Chairman:

I would like to provide you with some background information on a miscellaneous tariff bill I introduced last month, H.R. 2007, which suspends the duty on castor oil. This legislation was requested by a distributor of domestic and imported vegetable oils located in my home town. The product is utilized as a lubricant and as an additive in paints and other industrial compounds.

Prior to implementation of the Harmonized Code, castor oil imported from Brazil was imported duty free under three comodity numbers. Those numbers are now in a single classification, H.C. Number 1515.30, which also includes several other products. A duty of 1.5 cents per pound is imposed once specified dollar limits were reached for imports within the category. The duty was designed to protect domestic producers of commodities in the new H.C. category. Domestic production of castor oil, however, ceased in 1972 according to the Department of Agriculture. The dollar limits on the H.C. were reached quickly and the duty has caused price increases for American firms.

I hope that the Trade Subcommittee will concur with my view that inclusion of castor oil in a larger category in the Harmonized Code was an error, and that a new classification with no duty should be created.

Thank you very much for your assistance. I ask that this letter be included in the public record.

Sincerely,

Ray

Raymond J. McGrath
Member of Congress

H.R. 2017

To extend temporary duty-free treatment of certain chemicals.

No statements submitted.

H.R. 2018

To provide for duty-free entry of chemical methanol.

THE
HENLEY
GROUP
INC

LIBERTY LANE
HAMPTON, NEW HAMPSHIRE 03842
(603) 926-5911

May 31, 1989

BEFORE THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON INTERNATIONAL TRADE

COMMENT ON H.R. 2018
A BILL TO PROVIDE FOR DUTY-FREE ENTRY OF CHEMICAL METHANOL

This comment is submitted by The Henley Group, Inc., ("Henley") in response to the request by the Subcommittee on Trade for comments on H.R. 2018, a bill to provide for duty-free entry of chemical methanol. Henley is a Fortune 500 company involved in the manufacture and distribution of a broad range of products, including aerospace, industrial, scientific and medical products. Henley strongly supports H.R. 2018 and urges the Subcommittee to report the bill favorably.1/

The availability at reasonable cost of methanol is critically important to the international competitiveness of the United States chemical industry and to our national effort to reduce air pollution. 99 percent of the methanol consumed in the United States is used as a raw material by the petrochemical industry to manufacture various products. By volume, the most significant of these products are formaldehyde and methyl tertiary butyl ether ("MTBE").

MTBE is the single most important use of methanol because it is an environmentally safe octane enhancer for use in regular and premium unleaded gasoline. Demand for MTBE is increasing at 8 to 11% annually as the demand for unleaded gasoline continues to expand and the need for an environmentally acceptable octane enhancer is more clearly recognized. Moreoever, MTBE facilitates the use of higher compression ratios in automotive engines to achieve greater fuel economy. Demand for MTBE will further increase as automobile manufacturers turn to higher compression to meet Corporate Average Fuel Economy standards.

1/ Henley's affiliate General Chemical Corporation is a major importer of chemical methanol. Henley is also an offshore producer of methanol through its investment in Cape Horn Methanol Ltd. Cape Horn Methanol is a joint development project of Henley and the International Finance Corporation, the private investment arm of the World Bank. The primary suppliers of methanol imports to the United States are Canada, which accounts for slightly over half of total imports, Bahrain, Chile, Malaysia, Saudi Arabia and New Zealand. The Henley-IFC plant is located in Puenta Arenas, Chile.

The current 18 percent nondiscriminatory duty on methanol imposes a substantial cost on United States consumers without conferring any benefit on United States producers. Until the late-1980's, United States and global methanol production capacity exceeded demand. In reaction to low prices for methanol and increasing costs for raw materials (particularly natural gas), many methanol producers in the United States, Japan, and Western Europe shut down methanol production facilities. United States methanol production capacity declined 25 percent between 1981 and 1988. (The principal decline was in the early 1980's.)

Between 1986 and 1988, United States chemical methanol demand increased almost 17 percent. It is projected to increase by 3 to 6 percent annually through 1990 (primarily as a result of expanded demand for MTBE). As a consequence, United States methanol production facilities are operating at or above capacity, and imports now constitute 43% of total consumption. Despite these facts, the high cost of building new methanol plants together with the high cost of United States natural gas have effectively discouraged new investment in United States chemical methanol production capacity.

For these reasons, the current, 18 percent non-discriminatory duty on chemical methanol imposes substantial additional costs on United States chemical methanol consumers, without benefitting domestic methanol producers, many of which themselves import methanol. Enactment of H.R. 2018 will eliminate this unnecessary cost. It will enhance the competitiveness of the United States chemical industry in the world market and will help to accelerate increased use of environmentally sound automotive fuels.

Paul M. Meister
Managing Director
The Henley Group, Inc.

H.R. 2019

To provide for the reliquidation of certain entries.

STATEMENT OF THE HONORABLE ROBERT L. LIVINGSTON
ON H.R. 2019

MAY 31. 1989

The bill is intended to provide relief to S. Jackson & Son, Incorporated, a customhouse broker of New Orleans, Louisiana.

The bill provides that certain entries of large power transformers from Italy made between May 2, 1974 and August 13, 1980, shall be reliquidated without liability of the importer of record for antidumping duties, and that any such duty, if paid, shall be refunded. These duties were assessed by the Customs Service as a result of its determination under the antidumping law in effect at the time that large power transformers from Italy had been sold in the United States at less than fair value. Pursuant to the Customs Service determination, the Department of Commerce, which assumed responsibility for antidumping matters on January 1, 1980, issued instructions for the assessment of duties. Because S. Jackson & Son, Incorporated was the importer of record, it became liable for payment of the additional duties.

S. Jackson & Son, Incorporated sought exemption from the collection of these duties because the corporation, which acted as the customs broker for entries of the merchandise, did not receive actual notice of its potential liability for the antidumping duties until after the period had expired during which it could have avoided liability by substituting the name of the actual consignee of the merchandise.

The assessed amount of antidumping duties is approximately $792,000. The relief sought by S. Jackson & Son, Incorporated is substantially similar to the relief sought and obtained by another customhouse broker, Rukert Marine Corporation of Baltimore, Maryland, in section 1842 of the Omnibus Trade and Competitiveness Act of 1988 (Public Law 100-418).

H.R. 2033

To amend accounting procedures under section 313 of the Tariff Act of 1930.

COMMENTS OF THE AMERICAN PETROLEUM INSTITUTE
ON H.R. 2033
SUBMITTED FOR THE PRINTED RECORD
TO THE U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS
MAY 31, 1989

The American Petroleum Institute (API) welcomes this opportunity to comment on H.R. 2033, a bill which would amend drawback accounting procedures under Section 313 of the Tariff Act of 1930. API is a trade association which represents over 200 companies involved in all aspects of the petroleum industry. Because many of these companies import crude oil and export finished products made from crude oil, they participate in the U.S. Customs Service's drawback program. Therefore, API supports H.R. 2033 which would allow monthly and tank farm accounting for drawback eligible product which has been commingled in storage.

The Customs duty drawback program enables exporters to receive a refund for a portion of the Customs' duties paid on imported materials if a product manufactured from these raw materials is exported. This encourages exports and enables domestic manufacturers to be more competitive in foreign markets. In June 1988, Customs issued a ruling, C.S.D. 88-1, which greatly restricts the ability of exporters to file for drawback refunds.

Petroleum products are manufactured in a continuous process where both imported and domestic raw materials may be consumed together in a single steady stream, continuously producing various products. The nature of petroleum storage tanks and transportation facilities results in commingling of product from different suppliers. The drawback law as enacted in Section 313 of the Tariff Act of 1930, as amended, does not stipulate any particular method of identifying the imported portion of commingled materials. This issue is a matter of administrative discretion by Customs.

In issuing C.S.D. 88-1, Customs used its administrative discretion to retroactively "reinterpret" the procedures upon which industry had been basing its decisions in exporting products and filing drawback claims for commingled material. In fact prior to C.S.D. 88-1, drawback claims based on and supported by the industry's monthly accounting procedures had been accepted, audited and paid by Customs. The procedures outlined in C.S.D. 88-1 will reduce or eliminate the industry's ability to file drawback claims for products such as jet fuel commingled at common airport storage facilities.

Frequently at storage locations, including airport facilities, more than one company will have commercially interchangeable products located in common storage. Most of these products will qualify for drawback because they were made from crude oil and will be exported on international flights and flights to and from Alaska and Hawaii.

At most airports, jet fuel is handled through common storage facilities, pipeline systems and fueling facilities. In most cases, a fueling service company handles the fueling of the aircraft for all the companies which have jet fuel at a specific airport location. The service companies maintain inventory accounting records, for each supplier or airline owning jet fuel, on a monthly and total airport facility basis. It is not feasible for refiners to maintain separate inventory accounting records for drawback-eligible product on a tank by tank basis without substantial changes in operations of U.S. airport facilities and significant added costs. The added costs would outweigh the drawback refunds in most cases.

The requirements of C.S.D. 88-1 -- to account for inventory on a daily and tank by tank basis -- impose an excessive administrative burden, if not an impossible procedure. Exporters will not be able to file drawback claims for direct exports from commingled storage, including jet fuel and bunker fuel sold for use in aircraft and ships engaged in foreign commerce. Such a requirement could effectively eliminate the drawback option for jet fuel sold for use in international commerce at most major international airports nationwide.

Before C.S.D. 88-1 was issued, API and its members made numerous attempts to explain to the U.S. Customs Service the effect this ruling would have on the petroleum industry's ability to file drawback claims. The ruling was issued nevertheless.

Therefore, API strongly supports H.R. 2033, which eliminates the current requirement, created in C.S.D. 88-1, to account for commingled inventory on a daily and tank by tank basis. H.R. 2033 would allow the petroleum industry to receive drawback refunds which are based on monthly inventory balances. It would also allow a tank farm to be treated as one tank when a drawback claim is made.

API suggests the following changes to H.R. 2033, which clarify the purpose of and terms used in the legislation.
Page 1

* Line 3: Change the heading of SECTION 1. from 'SUBSTITUTION OF ARTICLES' to 'SUBSTITUTION OF CRUDE PETROLEUM OR PETROLEUM DERIVATIVES'

* Line 10: Delete 'When the' and substitute 'Notwithstanding any other provision of this section, when'

* Line 10: Insert after 'produced' the phrase 'from crude petroleum or petroleum derivatives'

* Line 11: Insert 'such' after 'or'

Page 2

* Line 6: Replace 'monthly' with 'calendar month'

* Line 10: After 'storage' insert 'for the claimant'

* Line 12: Before 'the drawback paid' insert 'each claimant shall account for its deliveries to and withdrawals from such common storage assuring that'

* Line 23: After 'stored' insert 'at a single facility'

* Line 25: After 'utilized' add ' "Single facility" means all storage units contiguous to a manufacturing plant, warehouse complex, terminal area, airport or bunkering facility, etc.' After this phrase, add a new paragraph which reads, 'For purposes of this section the phrase "same kind and quality" means articles that are commercially interchangeable and are commonly referred to under the same general product classification.'

Page 3

* Line 4: After 'enactment' add ', without regard to Section 514 of the Tariff Act of 1930'

API believes that the preceding suggestions will strengthen the purpose of H.R. 2033, to allow monthly and tank farm accounting for commingled inventories of petroleum products when filing a claim for a drawback refund.

If you have any questions or would like additional information, please contact Ed Beck at 682-8418.

COMMENTS OF THE COASTAL CORPORATION
ON H.R. 2033
SUBMITTED FOR THE PRINTED RECORD
TO THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS

MAY 31, 1989

The Coastal Corporation welcomes this opportunity to comment on H.R. 2033, a bill which would amend and improve drawback accounting procedures under Section 313 of the Tariff Act of 1930, as amended (19 U.S.C. §1313). Coastal is a diversified energy company, headquartered in Houston; it imports and refines crude oil, and then exports finished products made from the imported crude. The company participates in the drawback program, currently administered by the U.S. Customs Service, and consequently has a direct interest in this legislation.

The need for this legislation results from the issuance by Customs of a ruling (C.S.D. 88-1) which reverses about 25 years of Treasury Department policy. Indeed this ruling reverts to a position Customs first took in the early 1960's which was overruled by Treasury Department decisions in 1965. Coastal and others have expended considerable effort attempting to persuade Customs that C.S.D. 88-1 was at variance with enunciated Treasury policy and would essentially emasculate the drawback law as it relates to petroleum products. The effort, however, has been unsuccessful, due principally to the current lack of expertise by Customs in this area.

H.R. 2033 would not increase the amount of available drawback. Under §313 one may use either imported merchandise or domestic merchandise of the same kind and quality to produce the exported articles on which drawback is claimed. If domestic merchandise is used, however, imported merchandise of the same kind and quality must be designated, in which case this imported merchandise is no longer eligible for drawback. H.R. 2033 merely entails an added step to this process. If substituted merchandise under §313(b) were used to produce an article, proposed §313(c) would make it possible to substitute an article of the same kind and quality for the designated article. In other words, finished goods of the same kind and quality would be substituted for designated finished goods. One of these would become the exported article. Since the exported article would always be tied to the original imported merchandise, no additional drawback would result.

H.R. 2033 would increase drawback efficiency by permitting monthly and tank farm accounting for drawback eligible product which has been commingled in storage. Customs' reinterpretation of accounting procedures in C.S.D. 88-1 imposed an extremely inefficient system on companies attempting to file drawback claims on petroleum products. Indeed, the requirements of C.S.D. 88-1 are commercially impracticable, since they impose an administrative burden which is often more costly than the benefit of obtaining drawback. This inability to obtain drawback places American companies and American workers at a disadvantage with regard to foreign competitors. H.R. 2033 remedies this situation by allowing monthly and tank farm storage.

Thus we urge the enactment of this proposed legislation which does not increase the amount of drawback (this can be increased only by increased exports), but which does simplify record keeping, thereby insuring that drawback goes towards increasing exports.

Submitted by

Robert E. Moss

Robert E. Moss *65.*
Vice President/Federal Affairs
The Coastal Corporation

H.R. 2036

To correct the tariff classification of linear motion guides.

MICRO SLIDES, INC.
65 JEFRYN BLVD. EAST
DEER PARK, NEW YORK 11729-5713
TEL. (516) 586-9600 FAX. (516) 586-9607

June 1, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Ways & Means Committee
U.S. House of Representatives
Washington, D.C. 20515

SUBJECT: H.R. 2036

Dear Congressman Gibbons:

Micro Slides, Inc. is a small business in New York and the only U.S. manufacturer of crossed roller bearings and ways -- broadly categorized as precision linear bearings. In addition, we manufacture a number of different configurations of antifriction linear bearing assemblies. Much of our competition comes from overseas, particularly from companies in Japan, Germany and Switzerland. H.R. 2036 raises a number of technical issues that could adversely affect our business and which we believe the subcommittee should consider before acting on this legislation.

H.R. 2036 was introduced by Congressman Gradison to establish a new tariff classification for a very specific product line of "linear motion guides" which a corporate constituent, Cincinnati Milicron, purchases from THK America, Inc. THK America, Inc. imports this product from their Japanese parent corporation, THK Co., Ltd. The product is currently categorized under the "bearings" classification of the Harmonized Tariff Schedule which carries an 11% duty. The proposed reclassification would reduce the duty to 5.7 %. We do not have any objection to reclassifying this particular product to a lower tariff. Micro Slides does not market a product with the same design as the linear motion guide in question. Our products serve the similar function of providing low friction linear motion with heavy load carrying capacity. Micro Slides is concerned that the bill's lack of a definition of "linear motion guides" will lead our foreign competitors, who bring directly competing crossed roller bearings and assemblies into the U.S., to seek to reclassify their linear "bearing" products into the new, lower tariff category of linear motion guides. We are very concerned about the prospect of our competitors receiving unintended and unneeded benefits through lower tariffs.

We would like to suggest that, if H.R. 2036 is reported from committee, the subcommittee provide for a clearly limited definition of "linear motion guides" in committee report language accompanying the bill. Micro Slides, Inc. supports the limited definition proposed in the testimony of THK America, Inc. before the Ways & Means Subcommittee on Trade. That definition states:

> "Linear motion guides do not include any articles which operate by use of crossed roller bearings or by means of elements which slide one against the other without the use of anti-friction balls, nor any products actuated by manual lead screws."

If it would be helpful, I will forward a copy of our catalog so that you can see the products manufactured by Micro Slides, Inc. The U.S. Customs Service categorizes many of our products as "bearings" with a corresponding 11% tariff. We would like to see them remain as such. Any assistance which you could provide when the Subcommittee on Trade takes up H.R. 2036 would be greatly appreciated. If you have any questions, please don't hesitate to call me. Thank you for your time and consideration.

Yours truly,

Michael Feinstein

1MN 101st CONGRESS H.R. 2036
1st Session

BEFORE THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

STATEMENT ON BEHALF OF THK AMERICA, INC. IN SUPPORT OF H.R. 2036 TO AMEND THE HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES PROVIDING EXPLICITLY FOR LINEAR MOTION GUIDES

This statement is submitted on behalf of THK America, Inc., 1300 Landmeier Road, Elk Grove Village, Illinois, 60007, by its attorneys, Sonnenberg, Anderson, O'Donnell & Rodriguez, 200 West Adams Street, Chicago, Illinois 60606. If there is a hearing on this bill, the company will be represented by its General Manager, Mr. J. Matsushita, and by Steven P. Sonnenberg, Esq., of Sonnenberg, Anderson, O'Donnell & Rodriguez.

PURPOSE OF H.R. 2036

The purpose of H.R. 2036 is to provide a specific eo nomine classification for linear motion guides imported by THK America, Inc. The guides are manufactured by THK Company, Ltd., Tokyo, Japan. Enactment of this provision is intended to solve a classification dispute which has arisen since the enactment of the Harmonized Tariff Schedule of the United States (HTSUS) and which changes the classification of Linear Motion Guides from that which was used by the United States Customs Service for over ten years, from 1977 through August 1988.

In making this clarifying amendment, Congress will be giving substantial aid to the United States machine tool industry. THK's Linear Motion Guides and that of its principal Japanese competitor, NSK, are the subject of numerous patents both in the United States and abroad. These patents have been issued during the last ten years and, therefore, will remain in force for some time to come.

As will be discussed below, linear motion guides are not manufactured in the United States. No comparable product is available from any United States manufacturer. The only alternatives to THK's linear motion guides are similar, though not identical products, manufactured by Japanese companies and, reportedly, by one West German company.

Many United States machine tool builders have adopted linear motion guides as standard parts to move and position the tables, axes, and movement arms of their machine tools. An increase in the price of these guides occasioned by a needless increase in Customs duties which must be paid on their importation will clearly disadvantage these manufacturers in competing with machine tools manufactured abroad. At the same time, since there are no U.S. manufacturers of such guides, a duty rate increase will benefit no U.S. industry whatever.

DESCRIPTION OF THE PRODUCTS

Attached as Exhibit 1 hereto is an extract from THK's product catalogue which illustrates a linear motion guide. The guide consists of two pieces: the "block" and the "rail". Both of these components are precision engineered. They permit the linear (straight line) motion of heavy loads and, moreover, allow precise repetitive positioning of the heavy machinery parts to which they are attached, since they can withstand very large impact loads (such as that caused by the descending arm of a punch press).

Although the block may be removed from its rail, the components are machined in a manner so precise that a specific block is wedded to a specific rail for the entire useful life of the product (estimated to be at least 10 years). The block cannot be mounted on any other rail even of approximately the same dimensions. It can be put on such a rail, but the pieces will not function together in a proper manner. For this reason, THK America, Inc. imports the entire linear motion guide system together (blocks with their specifically engineered rails), warehouses them together, and sells them together to machine tool builders.

The block contains anti-friction balls which facilitate its movement along the rail and allow precise positioning. THK, however, does not consider the linear motion guide assembly to be a form of bearing. It does not, in fact, generally replace any ball bearing system. It replaces certain slide mechanisms which cannot be positioned with anything approaching the accuracy of a linear motion guide.

We have been made aware of a United States manufacturer of certain improved slide mechanisms (Micro Slides, Inc.), which, because of the relatively short lengths in which they are made and the differing technology used to produce them, are not the same as linear motion guides nor directly competitive with them. In the interest of ensuring that the products manufactured by this U.S. company do not encounter increased competition by misapplication of the suggested provision for linear motion guides, we suggest that the Committee Report include the following language:

> "Linear motion guides do not include any articles which operate by use of crossed roller bearings or by means of elements which slide one against the other without the use of anti-friction balls, nor any products actuated by manual lead screws."

Articles using these sorts of mechanisms are not linear motion guides. They are not used principally in the same applications in the heavy machine tool industry, but rather in industries and applications where short or very accurate positioning devices are required. Although some linear motion guides are equally short, many attain a length of over 50 feet. Additionally, the block in linear motion guides grip the rail in a manner which differs significantly from crossed roller bearings and Micro Slide's products.

CLASSIFICATION OF THE LINEAR MOTION GUIDES UNDER THE TSUS

1. Ten Years of Classifications as Parts of Machines

From 1977, when THK America's predecessor in interest obtained a binding written ruling from the U.S. Customs Service, until August of 1988, when the United States Customs Service changed its position regarding their classification, linear motion guides were classified under TSUS Item 680.90 as "parts of machinery not containing electrical features, not specially provided for". During 1988, articles classified in that provision were dutiable at 5.8% *ad valorem*.

2. Customs Change of Position under TSUS: Ball Bearings

In August 1988, for reasons which we believe were related to a dumping investigation then pending before the United States Department of Commerce, International Trade Administration, and the United States International Trade Commission, the Customs Service reversed its position and began classifying THK's linear motion guides as "ball bearings" under HTSUS Item 680.35. Under this provision the linear motion guides are dutiable at 11% ad valorem, or almost double the duty at which they were imported before the change of practice.

This change of practice by the United States Customs Service came too late for THK to take any action while the Harmonized Tariff Schedule was pending before Congress. Moreover, with a dumping investigation pending, we appreciate that such corrective action would have been difficult for Congress to entertain. THK has, however, protested the reclassification of its linear motion guides as ball bearings both under the TSUS and under the HTSUS.

3. Involvement of Linear Motion Guides in Antidumping Investigation

In April 1988, the Torrington Company, Division of Ingersoll/Rand, Inc. filed an antidumping petition with the appropriate federal agencies claiming that various types of bearings and certain unspecified products containing anti-friction balls were being dumped into the United States market from eight foreign countries, including Japan.

The petition did not specifically mention linear motion guides. Despite exhaustive exhibits naming almost all manufacturers of bearings in the targeted foreign countries, THK was not mentioned by name or by reference. As a result, THK was never contacted by the International Trade Commission or by the International Trade Administration, U.S. Department of Commerce (ITA) with regard to this investigation. Nevertheless, since linear motion guides are part of the product line of NSK, a large Japanese bearing manufacturer, the International Trade Administration determined, without Federal Register notice, that linear motion guides should be included within the scope of the investigation in July 1988.

We suspect that the commencement of this investigation and inquiries made by ITA to the U.S. Customs Service resulted in the abrogation of the uniform practice of classifying THK's linear motion guides as parts of machinery and the re-classification thereof as "ball bearings".

As matters turned out, however, ITA finally determined, after extensive submissions both by the U.S. bearings industry and by foreign manufacturers, the linear motion guides were not properly within the scope of the antidumping investigation. ITA published this conclusion in its Final Determination of Sales at Less than Fair Value, Fed. Reg. , (April , 1988).

The linear motion guides covered by H.R. 2036 are, therefore, not subject to any antidumping duties nor to any pending antidumping duty investigation. Should a United States industry wish to file a petition concerning them specifically, creation of the HTSUS Item proposed by the bill would make such an undertaking easier, not harder, since statistics covering this exact product will be compiled by the Bureau of the Census based upon actual Customs entries. At the same time, creation of the provision proposed by H.R. 2036 will fix the classification of linear motion guides and prevent their being needlessly included in future anti-dumping petitions regarding other products.

Finally, since THK did not receive a questionnaire from ITA in the anti-friction bearing dumping investigation, there was, of course, no showing that its products were being sold in the United States at less than fair value. THK does not believe that they are being sold at less than fair value. Moreover, since there is no United States manufacturer of linear motion guides such as those manufactured by THK, there can be no injury to an American industry.

CLASSIFICATION UNDER THE HTSUS

The United States Customs Service, following its August 1988 change of position as to the classification of linear motion guides under the TSUS, is currently classifying them under the provisions of the HTSUS for ball bearings, specifically in HTSUS Item , bearing a duty of 11% ad valorem.

We believe, as stated above, that this classification is incorrect. Linear motion guides are not bearings. They are assemblies which are used as parts of machines, by and large, as parts of machine tools. We believe that they are much more appropriately so classified. So did Customs for over ten years under the TSUS.

For this reason, H.R. 2036 provides for classification of linear motion guides in a specific eight digit provision in Chapter 84 of the HTSUS.

The following excerpt shows both the superior heading and the language of the HTSUS as enacted.

8485	Machinery parts, not containing electrical connectors, insulators, coils, contacts or other electrical features, and not specified or included elsewhere in this chapter:	
8485.10.00	Ships' or boats' propellers and blades therefor	4.2%
8485.90.00	Other	5.7%

The bill proposes to change this language as follows (additions shown in bold italics):

8485	Machinery parts, not containing electrical connectors, insulators, coils, contacts or other electrical features, and not specified or included elsewhere in this chapter:	
8485.10.00	Ships' or boats' propellers and blades therefor	4.2%
8485.90	**Other:**	
8485.90.10	**Linear motion guides**	**5.7%**
8485.90.80	**Other**	**5.7%**

As may be seen, the only language actually added is the specific provision for linear motion guides. The rest of the changes made by the bill simply rearrange the "Other" language currently found in HTSUS Item 8485.90.00. Since the language inserted consists of an eight digit number, it does not disturb the HTSUS at the six-digit level which is the basis of the international convention implementing it. Since the new Item suggested by H.R. 2036 is an eo nomine provision, it will not affect the classification of any other articles which are classified in current HTSUS 8485.90.80 nor of any other articles which may be classified elsewhere in the HTSUS.

EFFECTS OF ENACTMENT ON U.S.INDUSTRY AND REVENUE

1. Articles of this Type are Not Produced in the U.S.

As stated above and, as we believe was made abundantly clear during the anti-friction bearing investigation just completed by ITA and the International Trade Commission, linear motion guides of the kind manufactured by THK and other foreign producers, principally in Japan, are not manufactured in the United States.

Since these products are patented in the United States and abroad, there is, in our opinion, little likelihood that any directly competitive product will be produced in the United States in the near future.

2. Imported Linear Motion Guides Support the U.S. Machine Tool Industry

Although linear motion guides are not used exclusively in machine tools, a high percentage of them are so used. THK's linear motion guides are purchased by a large number of United States machine tool manufacturers. We do not refer here simply to so-called transplanted Japanese machine tool builders. On the contrary, some of the largest and best recognized long-established U.S. machine tool builders have recognized the value and benefit of incorporating linear motion guides as parts of their machine tools.

The reason for incorporation of linear motion guides is clear. They perform a function is the movement of heavy machine tool parts which adds accuracy, precision, and simplicity with a low failure rate which simply can be achieved in no other manner. Most heavy machine tools built in Japan and in other technologically advanced countries incorporate linear motion guides. Without access to these guides at a competitive price, U.S. built machine tools will be uncompetitive, from a technological perspective, in export markets. Furthermore, U.S. built machine tools will not be as accurate, precise or simple to operate as foreign built machine tools.

THK does not build machine tools. It manufactures linear motion guides and certain other types of linear motion products. It has absolutely no interest in impeding the growth and prosperity of the United States machine tool industry. On the contrary, THK has always offered its products in the United States at reasonable, though of course, profitable prices. Its products have met with wide acceptance.

The doubling of the duties which have been assessed against THK's product in the last six month, because of their reclassification by U.S. Customs and because of the threat that they might be included, albeit unwarrantedly, in the dumping investigation of anti-friction bearings, have already forced THK to raise its prices somewhat. We can assure the committee, however, that if this legislation is passed, prices will reflect the savings in duty which will be passed on to THK's industrial customers, including machine tool builders.

Thus, we believe that not only will no industry in the United States suffer any further competition by passage of this bill, but rather at least one industry in the United States, which has been trying to recapture its international market position will be aided in a positive way.

3. Revenue Effect of the Provision

If H.R. 2036 is enacted, we believe that revenue in calendar 1989 will be about the same as in calendar 1988. As pointed out above, this bill is intended to restore the rate of duty at which linear motion guides were imported throughout most of calendar 1988.

If the bill is not passed and imports of linear motion guides remain about the same, we estimate that approximately 2 million dollars in additional revenue could be collected. On the other hand, THK, like all business entities, will be obliged to pass the part of this revenue "increase" on to its U.S. customers, whose products will, therefore, become more expensive and less competitive on world markets and within the United States.

We believe that, on balance, it would be in the best interest of the United States to forego the potential revenue increase caused by a Customs re-classification which is not in the best interests of U.S. industry and to end debate on the matter by enacting the statutory provision contained in H.R. 2036.

4. Trade Policy Implications and Administration by Customs

We believe that this measure has no major trade policy implications. Since THK's linear motion guides are in constant demand, the increase in duties will not prevent their importation nor raise serious issues with the Government of Japan, except as an indication that the U.S. government is not necessarily committed to taking obvious steps to help its machine tool industry by permitting importation at a traditional rate of products which are not made in the United States and which are useful to such industry.

As regards Customs administration of the provision, there will be no difficulty. The bill merely enacts a new classification provision which is extremely simple and precise. It will reverse the position on the classification of these devices recently adopted by Customs, but otherwise can be implemented by a simple telex to Customs ports.

5. Retroactivity

The purpose of H.R. 2036 is to restore the dutiable status of linear motion guides to that which prevailed under the TSUS for ten years - from 1977 through most of 1988. THK believed that the HTSUS would continue this classification when it was being drawn up and, in fact, HTSUS Item 8485.90.00, as enacted, is almost the same provision, containing the same duty rate, as was present in the TSUS. Since Customs' recent change of position, THK has suffered short term cash flow problems as it endeavored not to pass on the duty increase to its customers. We believe that retroactive application of the proposed provision is the surest way to guarantee that harm is not caused to THK and that its prices are not increased, because of a failure to adhere to the intent of the HTSUS and classify linear motion guides as non-electrical parts of machines. Such retroactivity would also carry forward the revenue neutral intent of the HTSUS, as enacted.

CONCLUSION

For all the reasons stated above, we respectfully urge the subcommittee to recommend inclusion of the provisions of H.R. 2036 in this year's tariff legislation and recommend that the Ways and Means Committee report such provisions favorably and recommend passage to the full House of Pepresentatives.

Respectfully submitted,

SONNENBERG, ANDERSON,
O'DONNELL & RODRIGUEZ
Attorneys for THK America, Inc.
200 West Adams Street
Chicago, Illinois 60606
Tel. 312-407-7200

By: Steven P. Sonnenberg
Steven P. Sonnenberg

H.R. 2074

To correct the tariff treatment accorded zinc printing type.

the Howard Personalizer

Howard Imprinting Machine Company, since 1937
P.O. Box 15027, Tampa, FL 33684 • (813) 884-2398

Plant Location:
5013 Tampa West Blvd.
Tampa, Fl 33634

March 8, 1989

Honorable Sam M. Gibbons Congressman
Room 2204
RHOB
Washington, D.C. 20515

Subject: Harmonized System Tariff Schedule effective 1/1/89

Dear Mr. Gibbons,

Our company has a problem we trust you can help solve. We are a small manufacturer (10 people) which makes, and sells "Hot Stamping" machinery. (see brochure enclosed) In order for people to use our equipment they need type(not lead too soft heat will melt it). We need to furnish zinc type which we cannot buy in the USA. We buy it from Stephenson Blake in Sheffield England.

Jan. 1, 1989 the old tariff schedule of US was replaced by the "Harmonized System" The duty we were paying was 3.7% for the last 8 years was replaced at 8%. (see copies attached)

Phone calls to local customs office(Jane Greco) and to Washington D.C. customs office finally got me to Warren Maiuyama, who suggested Michael Hickey, and he recommended I write you.

We can live with the 3.7% but going to 8% will put us out of business. That's over a 100% increase. Mr. Hickey suggested a "Duty Reduction Bill" for the printed type category. If this is possible it will be our salvation. We've already had to pay the 8% for the goods shipped 2/1/89.

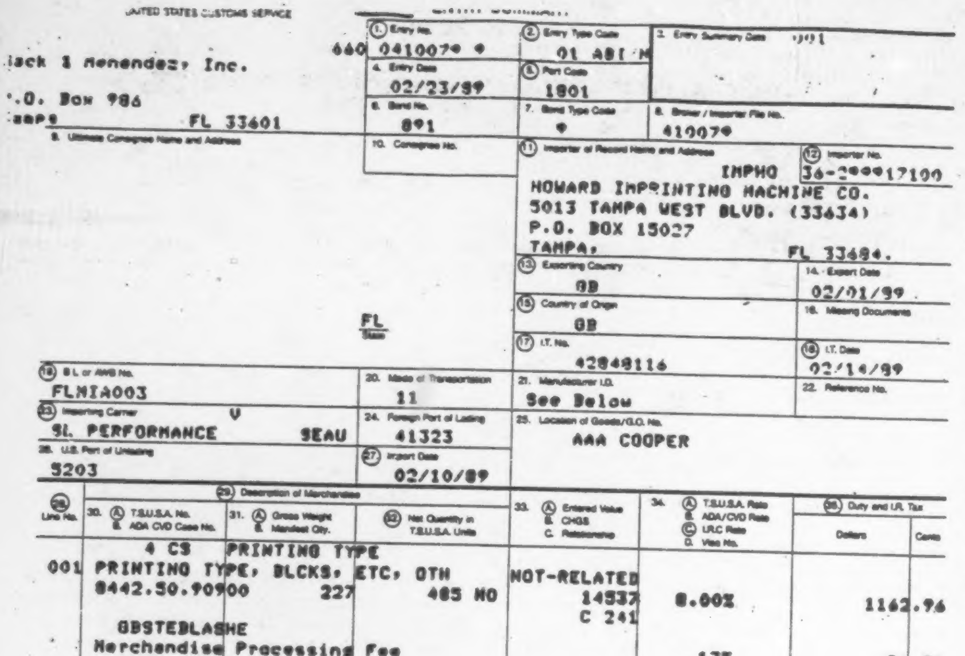
Anything you can do will be appreciated.

Sincerely,

Ray J Wrobbel
Chairman of Board

cc: Michael Hickey Room 1136
Longworth Office Bldg.
Washington, D.C. 20515

Sack & Menendez



UNITED STATES CUSTOMS SERVICE

ack I Menendez, Inc.
.O. Box 986
ampa FL 33601

① Entry No.	660 0410079 9
② Entry Type Code	01 ABI M
3. Entry Summary Date	991
4. Entry Date	02/23/89
⑤ Port Code	1801
6. Bond No.	891
7. Bond Type Code	9
8. Broker / Importer File No.	410079
9. Ultimate Consignee Name and Address	FL State
10. Consignee No.	
⑪ Importer of Record Name and Address	IMPHO HOWARD IMPRINTING MACHINE CO. 5013 TAMPA WEST BLVD. (33634) P.O. BOX 15027 TAMPA, FL 33684.
⑫ Importer No.	36-2999 17100
⑬ Exporting Country	GB
14. Export Date	02/01/89
⑮ Country of Origin	GB
16. Missing Documents	
⑰ I.T. No.	42848116
⑱ I.T. Date	02/14/89
⑲ B.L or AWB No.	FLMIA003
20. Mode of Transportation	11
21. Manufacturer I.D.	See Below
22. Reference No.	
㉓ Importing Carrier	V SL PERFORMANCE SEAU
24. Foreign Port of Lading	41323
25. Location of Goods/G.O. No.	AAA COOPER
26. U.S. Port of Unlading	5203
㉗ Import Date	02/10/89

㉘ Line No.	㉙ Description of Merchandise 30. Ⓐ T.S.U.S.A. No. B. ADA CVD Case No.	31. Ⓐ Gross Weight B. Manifest Qty.	㉜ Net Quantity in T.S.U.S.A. Units	33. Ⓐ Entered Value B. CHGS C. Relationship	34. Ⓐ T.S.U.S.A. Rate B. ADA/CVD Rate Ⓒ I.R.C. Rate D. Visa No.	㉟ Duty and I.R. Tax Dollars	Cents
	4 CS PRINTING TYPE						
001	PRINTING TYPE, BLCKS, ETC, OTH			NOT-RELATED			
	8442.50.90900	227	485 NO	14537 C 241	8.00%	1162	.96
	GBSTEBLASHE						
	Merchandise Processing Fee				.17%	24	.71
	I.V. 8038.00						
	E.V. 8038.00 AS 14537						
	GBP @ 1.80850000						
	Harbor Maintenance Fee				.04%	5	.81

Block 39 Summary:

Merchandise Processing Fee	499	24.71
Harbor Maintenance Fee	501	5.81
Total:		30.52

** LAST PAGE **

㊱ Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent

I declare that I am the

☐ importer of record and that the actual owner, purchaser, or consignee for customs purposes is as shown above. OR ☒ owner or purchaser or agent thereof.

I further declare that the merchandise

☒ was obtained pursuant to a purchase or agreement to purchase and that the prices set forth in the invoices are true. OR ☐ was not obtained pursuant to a purchase or agreement to purchase and the statements in the invoice as to value or price are true to the best of my knowledge and belief.

I also declare that the statements in the documents herein filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all goods or services provided to the seller of the merchandise either free or at reduced cost are fully disclosed. I will immediately furnish to the appropriate customs officer any information showing a different state of facts.

Notice required by Paperwork Reduction Act of 1980. This information is needed to ensure that importers/exporters are complying with U.S. Customs laws, to allow us to compute and collect the right amount of money, to enforce other agency requirements, and to collect accurate statistical information on imports. Your response is mandatory.

U.S. CUSTOMS USE		TOTALS	
A. Liq. Code	B. Ascertained Duty	㊲ Duty	1162.96
	C. Ascertained Tax	㊳ Tax	0.00
	D. Ascertained Other	㊴ Other	30.52
	E. Ascertained Total	㊵ Total	1193.40

㊶ Signature of Declarant, Title, and Date
Jack I Menendez ATTY IN FACT 2/28/89

MULTIPLE USE

Customs Form 7501 (030884)

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

ENTRY SUMMARY

Jack & Menendez, Inc.
P.O. Box 786
Tampa FL 33601

1. Entry No.: 450 0409393 0
2. Entry Type Code: 01 401.9
3. Entry Summary Date: 1 1
4. Entry Date: 01/03/99
5. Port Code: 1801
6. Bond No.: 891
7. Bond Type Code: 3
8. Broker / Importer File No.: 409393
9. Ultimate Consignee Name and Address:
10. Consignee No.:
11. Importer of Record Name and Address: IMPHO

HOWARD IMPRINTING MACHINE CO.
5013 TAMPA WEST BLVD. (33634)
P.O. BOX 15022
TAMPA, FL 33684.

12. Importer No.: 33-2999172-00
13. Exporting Country: GB
14. Export Date: 12/09/98
15. Country of Origin: GB
16. Missing Documents:
17. I.T. No.: 12947722
18. I.T. Date: 12/22/98

FL
STATE

19. B.L or AWB No.: 812894
20. Mode of Transportation: 11
21. Manufacturer I.D.: See Below
22. Reference No.:
23. Importing Carrier: 907 SL COMMITTMENT SEAU
24. Foreign Port of Lading: 41323
25. Location of Goods/G.O. No.: AAA COOPER TPT.
26. U.S. Port of Unlading: 5201
27. Import Date: 12/14/98

28. Line No.	29. Description of Merchandise — 30. A. T.S.U.S.A. No. B. ADA CVD Case No.	31. A. Gross Weight B. Manifest Qty.	32. Net Quantity in T.S.U.S.A. Units	33. A. Entered Value B. CHGS C. Relationship	34. A. T.S.U.S.A. Rate B. ADA/CVD Rate C. I.R.C. Rate D. Visa No.	35. Duty and I.R. Tax — Dollars	Cents
	2 CS PRINTING TYPE						
001	PRINTING TYPES			NOT-RELATED			
	468.3600	247	220 LB	7293	3.70%	269.84	
				C 233			
	GBSTEBLASHE						
	Merchandise Processing Fee				.17%	12.40	
	I.V. 3900.00						
	E.V. 3900.00 AS			7293			
	GBP @ 1.37000000						
	Harbor Maintenance Fee				.04%	2.92	

Block 39 Summary:
Merchandise Processing Fee 499 12.40
Harbor Maintenance Fee 501 2.92
Total: 15.32

** LAST PAGE **

36. Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent

I declare that I am the

☐ importer of record and that the actual owner, purchaser, or consignee for customs purposes is as shown above. OR ☒ owner or purchaser or agent thereof.

I further declare that the merchandise

☒ was obtained pursuant to a purchase or agreement to purchase and that the prices set forth in the invoices are true. OR ☐ was not obtained pursuant to a purchase or agreement to purchase and the statements in the invoice as to value or price are true to the best of my knowledge and belief.

I also declare that the statements in the documents herein filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all goods or services provided to the seller of the merchandise either free or at reduced cost are fully disclosed. I will immediately furnish to the appropriate customs officer any information showing a different state of facts.

Notice required by Paperwork Reduction Act of 1980. This information is needed to ensure that importers/exporters are complying with U.S. Customs laws, to allow us to compute and collect the right amount of money, to enforce other agency requirements, and to collect accurate statistical information on imports. Your response is mandatory.

U.S. CUSTOMS USE
A. Liq. Code
B. Ascertained Duty
C. Ascertained Tax
D. Ascertained Other
E. Ascertained Total

TOTALS
37. Duty: 269.84
38. Tax: 0.00
39. Other: 15.32
40. Total: 285.16

41. Signature of Declarant, Title, and Date: ATTY IN FACT
Jack & Menendez 1/10/

MULTIPLE USE

Customs Form 7501 (030984

Page 3 of 4

NEW ODD PAGE MUST!

FOR IMMEDIATE RELEASE
WEDNESDAY, MAY 24, 1989

SUBCOMMITTEE ON TRADE #12
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-3943

THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES REQUEST FOR WRITTEN COMMENTS ON CERTAIN ADDITIONAL TARIFF AND TRADE BILLS

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee on Trade is requesting written testimony for the record from all interested parties on the additional miscellaneous tariff and trade bills listed below.

A determination regarding further scheduling of public hearings or other Subcommittee action on any of these bills will not be made until after the close of this public comment period.

The tariff and trade bills on which written testimony will be received are:

Duty Suspension Bills

H.R. 2077 (Mr. Brown of Colorado): To suspend for a three-year period the duty on certain fiberglass yarns.

H.R. 2250 (Mr. Ridge): To suspend temporarily the duty on chlorinated synthetic rubber.

H.R. 2367 (Mr. Morrison of Connecticut): To suspend temporarily the duty on Ciprofloxacin and Nimodipine.

H.R. 2451 (Mr. Hoagland and Mr. Goss): Relating to the tariff treatment of screenhouse tents.

Extension of Existing Suspension Bills

H.R. 2249 (Mr. Pickle): To extend for 5 years the existing suspension of duty on triallate.

H.R. 2447 (Mr. Downey): To extend the existing temporary suspension of duty for certain small toys and novelty goods, and for other purposes.

Classification Bill

H.R. 2100 (Mr. Stark): Relating to the tariff treatment of certain paper products and synthetic detergents.

Customs and Other Nontariff Matters Bill

H.R. 2305 (Mr. Martin of New York): To require the Commissioner of Customs to provide certain facilities and equipment at the port of entry at Trout River, New York.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments should submit six (6) copies by the close of business, Monday, June 12, 1989, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102 Longworth House Office Building, Washington, D.C. 20515.

SEE FORMATTING REQUIREMENTS BELOW:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

* * * * * * * * * *

H.R. 2077

To suspend for a three-year period the duty on certain fiberglass yarns.

STATEMENT OF GATES RUBBER COMPANY; UNIROYAL GOODRICH TIRE COMPANY; FIRESTONE TIRE AND RUBBER COMPANY; GOODYEAR TIRE AND RUBBER COMPANY; AND DAYCO PRODUCTS COMPANY, INC.

STATEMENT IN SUPPORT OF H.R. 2077

I. Introduction

This statement is being submitted on behalf of an ad hoc coalition of U.S. companies that manufacture automobile and industrial timing belts and tires: Gates Rubber Company, Denver, Colorado; Uniroyal Goodrich Tire Company, Akron, Ohio; Firestone Tire and Rubber Company, Akron, Ohio; Goodyear Tire and Rubber Company, Akron, Ohio and Dayco Products Company, Inc., Dayton, Ohio. Also supporting H.R. 2077 and joining in submitting these comments is the Rubber Manufacturers Association, Inc., of Washington, D.C.

The bill covers fiberglass products imported by U.S. companies for the manufacture of automotive belts, industrial timing belts, and certain fiberglass-belted automobile tires.

For each tariff category where relief is being sought under H.R. 2077, there is no similar or competitive type of glass fiber manufactured in the United States. Since there is no domestic industry to protect, the fiberglass tariffs in question clearly discriminate against U.S. rubber manufacturers to the advantage of foreign manufacturers of automotive belts and and fiberglass-belted tires. The result is that U.S. products are less competitive against foreign made products, both in the United States and in international markets.

Attachment (A) lists the companies seeking relief, the Harmonized Tariff Schedule of the United States (HTSUS) subheadings applicable to each, the accompanying description for each subheading, and the rates of duty/sources of the fiberglass imports.

II. U.S. Production

Gates, Uniroyal, Goodyear, and Dayco import certain fiberglass cord or "yarn" from Canada and the United Kingdom that has been variously classified by U.S. Customs Service district offices under the following HTSUS subheadings: 7019.10.10000 ("Yarns: Not colored"); 7019.10.20008 ("Yarns: Colored"), and 7019.10.60009 ("Slivers, rovings, yarn and chopped strands: Other").

In addition, Goodyear and Firestone convert the yarn into a fiberglass cord fabric used exclusively in the manufacture of tires, and import the fabric into the United States from Canada. That tire cord fabric is classified variously under HTSUS subheadings 7019.20.10008 ("Woven fabrics, including narrow fabrics: "Narrow fabrics"); 7019.20.20006 ("Woven fabrics, including narrow fabrics: Other: Not colored"), and 7019.20.50009 ("Woven fabrics, including narrow fabrics: Other: Colored").

All five companies previously purchased the fiberglass cord in the United States, but have been unable to do so for a number of years due to the discontinuance of U.S. production.

Two U.S. companies formerly produced the fiberglass cord in question. One of these is PPG Industries, Inc., of Pittsburgh, Pa., which had supplied fiberglass cord to the companies now requesting relief. One or more of the following persons at PPG Industries should be able to verify the fact that PPG no longer produces the kind of fiberglass cord covered by the tariff categories for which relief is being sought:

Jack Misner
General Manager, Fiberglass Division
(412) 434-2701

Jeffrey A. Neubauer
Marketing Manager, Reinforcement Products
(412) 434-2542

Robert McLaughlin
Market Manager, Industrial Textile Products
(412) 434-2532

The second former U.S. producer of the fiberglass cord for which relief is being sought is Owens-Corning Fiberglass of Toledo, Ohio. We understand that Owens-Corning discontinued production of fiberglass cord in late 1986 or early 1987. This information can be verified by contacting the following at Owens-Corning:

R. W. (Rick) Talpos
Marketing Services Administrator
(419) 248-7182

There are no U.S. sources for the direct purchase of the fiberglass tire cord fabric imported by Goodyear and Firestone following conversion from cord. Certain U.S. companies may have the capability to convert fiberglass yarn into the tire cord fabric, but this would have to be done according to strict specifications. The volume of tire cord fabric imported is not significant since fiberglass-belted tires represent only about 4% of domestic passenger tire production.

Following are points of contact in companies that may have the capability to convert into fiberglass tire cord fabric:

Milliken & Company
201 Industrial Drive M-802
Lagrange, Georgia 30240
Archer E. D. Booker, Jr.
(404) 883-5485

Bibb Manufacturing Company
P.O. Box 595
Porterdale, Georgia 30270
Bob Donaldson
(404) 787-2920

Utica Converters
2214 Whitesborro
Utica, New York 13502
Leonard Dabson
(315) 733-4626

III. Revenue Loss

Based on information furnished by the companies seeking relief, the estimated revenue loss to the Government from enactment of H.R. 2077 is:

1989	1990	1991	Total
542,100	556,000	566,900	$1,665,000

Note: The 1989 estimate is based on loss to the Government for the entire calendar year.

IV. Competitive Effect

Enactment of H.R. 2077 would have significant beneficial effects for U.S. companies manufacturing automotive belts and for U.S. consumers of those belts, since the fiberglass cord for which relief is being sought is used in the vast majority of automotive belts made in the United States. Benefits would also be realized by U.S. producers and consumers of fiberglass-belted tires. Finally, U.S. companies using industrial belts also would benefit since some of the fiberglass cord in question is used by Goodyear in the manufacture of industrial belts.

It is vital that the tariff relief contained in H.R. 2077 be considered in the context of the decline in the competitive position of U.S. belt and tire manufacturers in recent years, particularly vis-a-vis imports but also in relation to U.S. exports. Motor vehicle and industrial belts and tires have been flooding into the United States at unprecedented levels, in large part because of the cost advantages enjoyed by their foreign manufacturers. The relief being requested via H.R. 2077 would help reduce those advantages.

As an example of the foreign competitive pressures besetting the belt industry, certain overseas manufacturers were recently found to be "dumping" industrial belts in the United States. Although this incident dealt with industrial belts only and did not include automotive belts, it illustrates the intensity of the foreign competitive pressures against which U.S. producers have been operating. Although underpricing foreign manufacturers is extremely difficult for U.S. belt producers, suspension of the fiberglass cord tariff would at least help make U.S. companies competitive.

In the tire industry, U.S. manufacturers continue to receive relentless pressure from foreign manufacturers. In 1988, the United States imported a record number of foreign-made passenger tires. U.S. automobile tire imports for the year increased 4.3% over previous record levels set in 1987. (Source: Tire Business, March 13, 1989.)

That trend is not only continuing but accelerating. For the first two months of 1989, passenger tire imports increased by 13.1% from the same period in 1988. Imports of light truck tires for the same period were running a full 30% ahead of the 1988 pace. (Source: Tire Business, May 22, 1989.)

Gates, one of the leading U.S. belt producers, estimates that enactment of H.R. 2077 would have substantial beneficial impact both for its competitive position and the American consumer over the next three years. Gates estimates that its domestic timing belt prices could be reduced as much as 4% during this period if the bill is enacted. Gates also estimates that enactment could result in an export sales increase in the 3-4% range.

Other companies supporting H.R. 2077 report similar kinds of anticipated benefits from enactment. Goodyear, for example, states that the tariff relief being sought would make its timing belts more competitive in the European market. The company is working on belt products for introduction into that market, and the production cost savings associated with the tariff relief would help those products gain a foothold in Europe.

Also, Firestone notes that suspension of the tariff would help preserve for the U.S. public the option of fiberglass-belted radial tires, which generally have a softer ride than steel-belted radials but which represent a very small and shrinking percentage of tires currently sold in the United States.

V. Conclusion

The tariff duties suspended by this bill should have been suspended or eliminated when U.S. fiberglass cord producers ceased operations years ago. It is not too late to give relief to U.S. manufacturers importing fiberglass cord products -- "yarn" and tire cord "fabric" -- which are at a competitive disadvantage vis-a-vis foreign manufacturers. H.R. 2077 would do that, enabling U.S. manufacturers of automotive (and some industrial) timing belts and fiberglass-belted tires to reduce production costs. As a result, U.S. products would be more competitive against imports and in world markets, and U.S. consumers could see lower prices on some items.

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H.R. 2100

Relating to the tariff treatment of certain paper products and synthetic detergents.

STATEMENT OF MOLNLYCKE, INC., TISSUE DIVISION

BEFORE THE SUBCOMMITTEE ON TRADE # 12
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

STATEMENT IN SUPPORT OF HR 2100
101ST CONGRESS
1ST SESSION

HR 2100 proposes amendments to the Harmonized Tariff Schedules of the United States Annotated affecting the classification of certain paper products and synthetic detergents. The Bill proposes amendments to chapter 34 and chapter 48 of the Harmonized Tariff Schedule to re-establish duty rates which applied through December 31, 1988 under the prior Tariff Schedules of the United States Annotated for toilet paper, handkerchiefs, and cleansing or facial tissues and towels of cellulose wadding or webs of cellulose fibers, and for industrial hand cleaning detergents. The estimated increase in duty cost to Molnylcke, Inc. caused by the adoption of the Harmonized System language is approximately $110,000 based on 1988 shipments levels.

Molnlycke, Inc. is a California corporation, with its Headquarters located at San Ramon, California. The Tissue Division Headquarters are located in San Ramon, California and the Tissue Divisions manufacturing plant is located in Union City, California. The Tissue Division markets industrial paper products and accessories for those products. The products marketed in the United States includes both those produced in the Union City plant in the United States, and other imported from various countries to complete the product line.

Paper Products

The imported paper products intended to be covered by the changed language are industrial paper towels, handwipes, and toilet paper, considered to be of cellulose wadding or webs of cellulose fibers. Under the 1988 Tariff, when imported in unperforated rolls more than 6" in width, or in perforated rolls regardless of width, they were classified as cellulose wadding or as articles thereof, TSUSA Items 252.3000 at 3.5% or 256.8000 at 3.6%. Only rolls six inches or less in width, and unperforated, were classified in the TSUSA provision for "toilet and facial tissues, towels, napkins, or similar cut-to-size or shape household or sanitary products" in Item 256.3010.

The Harmonized Tariff Schedule expands the definition corresponding to "cut-to-size or shape" with regard to these products to 36 cm, or just over 14". The effect is to move unperforated rolls exceeding 6 inches but less 36 cm in width, and perforated rolls, into Heading 4818 of the Harmonized Tariff Schedule. This section does not have separate breakouts continuing the lower rates applied to cellulose wadding or webs of cellulose fibers. The proposed bill would return the duty rate on these products to the level that applied in 1988.

Reasons for Changes from TSUSA to HTSUSA

In the development of the Harmonized system nomenclature, the U.S. International Trade Commission published a draft conversion as part of its report on investigation #332-131. USITC Publication 1213 of January 1982 includes the proposed draft provisions, and a cross reference showing the allocation of existing TSUSA item numbers to proposed HTS numbers. For Item 252.3000, cellulose wadding in rolls not cut to size or shape, this cross reference shows the intention for 100% of the articles classified therein to be transferred to Heading 4803 of the Harmonized System. In that draft, Heading 4803 proposed all products as duty free; only in later drafts was the dutiable provision for cellulose wadding, sub-heading 4803.00.2000, added. Similarly, Item 256.8000 was allocated 100% to Heading 4823.90, without any separate breakouts for products of cellulose wadding. The final version of the HTS established sub-Heading 4823.90.7000, for other cellulose wadding articles, continuing the 3.6% duty rate. Item 256.3010 was allocated fully to Heading 4818.

These changes were reviewed with ITC analysts. It was determined that the ITC, in making the changes, had not recognized the existence of any significant trade in products in sizes in between the 6 inch roll size established under the TSUSA, and 36 cm size established in the HTSUSA. The ITC indicated that there had been no actual intention to change the rates for existing products, but adoption of the international 36 centimeter limit was believed possible without affecting any current U.S. imports. When Molnlycke, Inc.'s import trade was pointed out, the response was that the change was an inadvertent one, but at that point could be corrected only through legislation or international negotiations. It was suggested that Molnlycke, Inc. secure a written confirmation from the Customs Service indicating that the expected effect of the change to the Harmonized System would in fact occur. (The result is the ruling attached hereto of January 20, 1989).

A question has been raised concerning the possibility that toilet paper rolls 6 inches or less in width, which were classified at the higher rate for consumer products under the 1988 TSUSA, would be eligible for the lower rate proposed by HR 2100. Molnlycke, Inc. is concerned solely with restoration of the previously applicable rates; its has no objection to adding a limitation to the proposed language of HS sub-Headings 4818.10.05 and 4818.20.05 to products "in rolls of a width exceeding 15 cm or in rectangular (including square) sheets with one side exceeding 36 cm and the other side exceeding 15 cm in unfolded state". This is the same limitation expressed in chapter Note 7.

Liquid Handwashing Detergent

The other product covered by HR 2100 is a handwashing fluid which meets the definition for a synthetic detergent in Note 1(b), Sub-part B, part A, Schedule 4, TSUSA. It is imported in bulk for sale in industrial quantities to industrial users. Two of the formulations contain perfume, while one does not. None of the formulations include any aromatic or modified aromatic surface active agent. A product description is attached.

The 1988 TSUSA separated synthetic detergents containing an aromatic or modified aromatic surface active agent and those which did not, with those containing the aromatic agent classifiable in Item 409.3080 at 7.7%, and those not containing an aromatic agent in Item 466.3000, duty free. This distinction was also applied to other surface active agents not considered to be synthetic detergents, with rate distinctions for aromatic or modified aromatic agents and others. This distinction, and rate deferential, was carried over to the HTS in Heading 3402, for every product with the exception of synthetic detergents. Sub-Heading 3402.90.1000-7 for synthetic detergents is a combined provision covering both those including and those excluding aromatic or modified aromatic surface active agents, with a compromise duty rate of 3.8%.

Reason for Change from TSUSA to HTSUSA

The 1982 and 1984 USTR drafts of the Harmonized System broke sub-Heading 3402.90 into several sub-divisions, one covering synthetic detergents which contained aromatic compounds, utilizing a 6.6% duty rate, and one for "other" synthetic detergents, continuing the duty free rate. In the 1987 draft, these provisions were combined into a single sub-Heading with the average rate of 3.8%. The USTR has advised that the basis for the change was a negotiation with Canada, which sought lower duty rates for its synthetic detergents with aromatic agents. This change was made without any public notification concerning the reasoning, and not discovered until too late to challenge the action before adoption of the Harmonized System.

Competitive products are available in the United States. The problem for the importer is that, after years of duty free treatment, its products was faced with a 3.8% price increase due solely to the implementation of the Harmonized System Tariff structure in 1989. HR 2100 proposes that the split between the aromatic and non-aromatic products, already incorporated in all other portions of Heading 3402, be continued with regard to synthetic detergents.

HR 2100 also recognizes and incorporates the negotiations with Canada, utilizing the terms of the Canada Free Trade Agreement to complete the phase out of duties for Canadian products over a five year period.

Conclusion

HR 2100 is intended merely to restore 1988 duty rates unintentionally (for paper products) and unnecessarily (for the industrial synthetic detergent) increased due to the adoption of the Harmonized Tariff Schedule of the United States. These increases have raised the cost of the products, and affected the competitiveness of the seller in the United States market, despite the stated intention of Congress to shift to the Harmonized Tariff Schedule with minimal effect on duty rates. The proposed changes can restore the 1988 rates, while fitting into the Harmonized Tariff Schedule structure and avoiding unintended effects on other products.

Dated: June 9, 1989

Respectfully Submitted,

Steven W Baker

STEVEN W. BAKER
Attorney for Molnylcke, Inc
Bellsey and Baker
100 California Street, Suite 670
San Francisco, CA 94111
(415) 421-6705

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
NEW YORK, N.Y.
NY 831778

REFER TO

JAN 20 1989

CLA-2-48:S:N1:234 831778

CATEGORY: Classification

TARIFF NO.: 4803.00.4000; 4818.20.0020

Mr. Steven W. Baker
Bellsey & Baker
100 California Street, Suite 670
San Francisco, California 94111

RE: The tariff classification of Webs of Cellulose Fibers, from several European countries, entitled to General (MFN) rates of duty.

Dear Mr. Baker:

In your letters dated November 23, 1987, August 2, 1988, and December 23, 1988, on behalf of your client, Molnlycke, Inc., you requested a tariff classification ruling.

Samples were submitted, which have, in three cases, been analyzed by the U.S. Customs laboratory at New York, and found to be or consist of webs of cellulose fibers. These are your products A, M, and P Tork. This material is imported as rolls of towels, which are perforated, and may also be imported in stacks or pads of cut sheets.

The applicable subheading for A, M, and P Tork, when imported in rolls of a width exceeding 36 cm or in rectangular (including square) sheets with at least one side exceeding 36 cm in unfolded state will be 4803.00.4000, Harmonized Tariff Schedule of the United States (HTS), which provides for, inter alia, webs of cellulose fibers, in such widths or sheet sizes, whether or not creped, crinkled, embossed, perforated, surface-colored surface-decorated, or printed. The rate of duty will be Free.

When imported in rolls of a width not exceeding 36cm or in rectangular (including square) sheets with no side exceeding 36 cm in unfolded state, A, M, and P Tork will be classified in subheading 4818.20.0020, HTS, which provides for..towels..of webs of cellulose fibers. The rate of duty will be 5.3 percent.

Your sample, E Tork, is under analysis; when a sutiable Report is received from our laboratory, we will issue to you an appropriate ruling.

This ruling is being issued under the provisions of Section 177 of the Customs Regulations (19 C.F.R. 177).

A copy of this ruling letter should be attached to the entry documents filed at the time this merchandise is imported. If the documents have been filed without a copy, this ruling should be brought to the attention of the Customs officer handling the transaction.

Sincerely,

Jean F Maguire

Jean F. Maguire
Area Director
New York Seaport

COMPONENTS		MEVON		
		55	66	77
Surfactants:	Myristic acid soap			X
	Lauric acid soap	X		X
	Cocoamphocarboxyglycinate	X		X
	Sodium Laureth sulphate		X	
Foam boosting and stabilizing agent:	Cocamide DEA	X	X	X
Pearling agent:	Glycoldistearate	X	X	X
Preservatives:	EDTA		X	X
	Parabens		X	
Bactericide:	Triclosan (Irgasan)			X
Colouring:		X	X	
Perfume:		X	X	

H.R. 2249

To extend for 5 years the existing suspension of duty on traillate.

STATEMENT OF
MONSANTO COMPANY
H.R. 2249
SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS

The Monsanto Company supports H.R. 2249 which provides for an extension of the temporary suspension of duty on triallate, a commodity, technical herbicide product. Triallate is the common name for the chemical S-(2,3,3'-trichlorallyl) disporopyl thiocarbamate. It is the active tehnical ingredient of a commodity (non-patented) selective, pre-emergent herbicide used to control wild oats in small grain crops such as wheat and barley.

Until May of 1986, Monsanto was the sole U.S. producer of triallate. At that time, because of a decline in the North American market for the product and other commercial reasons, production of triallate was consolidated at Monsanto's facilities in Belgium. Monsanto plans to continue to serve the North American market for triallate herbicide by importing technical triallate from the facility in Belgium and formulating it in the U.S. into finished product suitable for use by farmers.

There has been no U.S. manufacturer of this product since Monsanto ceased its production in the U.S. Because of the decline in the North American market and the very difficult manufacturing process for this product, it is very unlikely that anyone will begin production in the foreseeable future. Moreover, there are no herbicide products manufactured in the United States which are directly competitive with triallate; that is, are selective, pre-emergent wild oat herbicides for small grains.

Exacting a duty on triallate will make American agriculture needlessly pay more for the weed control benefits provided by this product. The duty on imports of triallate was suspended until January 1, 1990 by the Omnibus Trade and Competitiveness Act of 1988. Because there continues to be no domestic source of triallate, Monsanto supports H.R. 2249 which will extend the duty suspension on triallate until January 1, 1996.

May, 1989

H.R. 2247

To extend the existing temporary suspension of duty for certain small toys and novelty goods, and for other purposes.

No statements submitted.

H.R. 2250

To suspend temporarily the duty on chlorinated synthetic rubber.

TONY COELHO
15TH DISTRICT, CALIFORNIA
MAJORITY WHIP

COMMITTEE ON AGRICULTURE

COMMITTEE ON INTERIOR AND
INSULAR AFFAIRS

COMMITTEE ON
HOUSE ADMINISTRATION

DEMOCRATIC STEERING AND
POLICY COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515

403 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6131

DISTRICT OFFICES:

419 S. MADERA AVE.
KERMAN, CA 93630
(209) 846-7706

FEDERAL BUILDING
415 WEST 18TH STREET
MERCED, CA 95340
(209) 383-4455

900 H STREET, SUITE B
MODESTO, CA 95354
(209) 527-1914

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MAY 24 1989
SUBCOMMITTEE ON TRADE

May 22, 1989

93

Honorable Sam Gibbons
Chairman
Ways and Means Subcommittee on
Trade
1136 Longworth HOB
Washington, D.C. 20515

Dear Sam:

I am contacting you with regard to my support for the inclusion of Congressman Ridge's duty suspension bill, H.R. 2250, in your omnibus miscellaneous tariff package.

Congressman Ridge's legislation would temporarily suspend the duty on Chlorinated Synthetic Rubber (CSR) entering the United States. It is my understanding that after the beginning of this year the final domestic manufacturer of the synthetic rubber, the Hercules Corporation, ceased production and sale of CSR.

With no domestic production of the product, I would urge you to consider inclusion of H.R. 2250 in the non-controversial tariff package which I understand will be considered by the Trade Subcommittee in early June. I greatly appreciate your attention to my request.

With kind regards,

Sincerely,

TC

TONY COELHO
MEMBER OF CONGRESS

TC/cw

Mobay

Bayer

Mobay Corporation
A Bayer USA INC. COMPANY

Mobay Road
Pittsburgh, PA 15205-9741
Telephone: 412/777-2000

June 2, 1989

The Honorable Sam Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Gibbons:

This letter in support of H.R. 2250 is in response to the request for comments contained in the Committee's press release of May 24, 1989. H.R. 2250, sponsored by Representative Thomas Ridge, proposes a temporary suspension of duty on imported chlorinated synthetic rubber.

Mobay imports chlorinated synthetic rubber (CSR) that is manufactured by its parent company, Bayer AG of West Germany. Bayer is a major force in the world's capacity for producing CSR. In fact, Bayer has been producing chlorinated rubbers for 50 years.

Earlier this year, the only domestic producer of CSR announced intention to cease commercial production and sale of CSR in the United States which became effective on February 15, 1989. With CSR no longer produced in this country, waiving the duty on imported CSR will not harm American industry.

Actually, the suspension will benefit American industry because of the great diversity of CSR in use. The combination of exceptional resistance to chemicals, water and weather makes CSRs very attractive bases for paints and coatings serving a multitude of needs in protecting surfaces against corrosion. These paints are used wherever the protection they afford takes precedence over the decorative effect giving excellent results on steel, iron and zinc, but equally on concrete and other mineral construction materials. Some of the many applications in which CSR formulated paints give reliable protection against corrosion in air or under water are: industrial plants, tank farms, refineries, shipbuilding, bridge construction, piping, traffic paints and swimming pools. CSR also makes excellent contact adhesives for a great many uses.

Writer's Direct Dial Number
(412) 777-4875

Temporarily suspending the duty on CSR will benefit the manufacturers of paints and adhesives and the many end-users of these products now that domestic production of the rubber has been stopped. We urge the Committee to approve this legislation.

Thank you.

Sincerely,

Paul Gemeinhardt
P. G.Gemeinhardt
Director, Communications & Advocacy
for Chemical Industry Issues

H.R. 2305

To require the Commissioner of Customs to provide certain facilities and equipment at the port of entry at Trout River, New York.

No statements submitted.

H.R. 2367

To suspend temporarily the duty on Ciprofloxacin and Nimodipine.

Statement of Miles, Inc.
to the Subcommittee on Trade
in Favor of Enactment of H.R. 2367

My name is Matthew McGrath. I am a member of the firm of Barnes, Richardson & Colburn, 1819 H Street, N.W., Washington, D.C. I represent Miles, Inc., on whose behalf I am submitting the following statement in support of enactment of H.R. 2367, a bill to provide a temporary duty suspension for the pharmaceutical Ciprofloxacin and Nimodipine.

I. Background

A. Miles, Inc.

Miles, Inc. ("Miles") is a leading provider of high-quality health-care products in the United States. In 1988, its net sales world-wide were $1.7 billion. Miles' Pharmaceutical Division is based in West Haven, Connecticut and is one of the largest employers and generators of tax revenues both locally and regionally.

The introduction of important new pharmaceuticals accounts for a vital portion of Miles' sales and earnings growth. Two such pharmaceuticals are Ciprofloxacin and Nimodipine.

B. Ciprofloxacin

Ciprofloxacin is a proprietary, patent-protected pharmaceutical for which there is no exact equal manufactured in the United States.

Ciprofloxacin is a totally synthetic antimicrobial. Antimicrobials, which include antibiotics, are employed in the battle against, among other things, infectious bacteria. Pending FDA approval, which is expected by the end of this year, Miles will introduce Ciprofloxacin in an intravenous ("I.V.") form, to be marketed under the name "Cipro I.V.^{R}."[1] Cipro I.V.^{R} solution will be produced and packaged by Miles from imported soluble Ciprofloxacin powder. Ciprofloxacin is currently imported by Miles in powder form under Harmonized Tariff Schedule heading 2933.59.2700.

Cipro I.V.^{R} is currently in use in West European countries, such as Germany, Britain and France, where it has proven itself to be effective and safe for the treatment of infections, including those in the lower respiratory tract, urinary tract, skin, bone and joint infections, and infectious diarrhea.

Ciprofloxacin is the most potent member of a new class of synthetic antimicrobials called "quinolones." Its potency is such that its bacteria "kill rate" is greater on a weight basis than other members of the quinolone class and greater than many other antimicrobials as well. Ciprofloxacin also has a broader "spectrum" (can kill a wider range of bacteria) than many other antimicrobials.

C. Nimodipine

Nimodipine, marketed by Miles under the name "Nimotop^{R}," is a patent-protected pharmaceutical for which no exact equal is manufactured in the United States. It is used for treatment of a relatively rare and extremely difficult-to-treat brain condition known as "subarachnoid hemorrhage ("SAH"). This drug is intended for this specific condition and at the present time is the only product in the United States aimed at this market.

---

[1] The same antimicrobial agent, but in a tablet form, in the chemical configuration "Ciprofloxacin Hydrochloride" is the subject of another bill recently introduced, H.R. 1857.

Nimodipine is a "calcium channel blocker." Calcium channel blockers are drugs used to dilate (relax) blood vessels and are typically used for heart conditions (e.g., angina) or hypertension (high blood pressure). The use of Nimodipine for SAH is unique for a calcium blocker in the United States.

SAH is a life threatening form of stroke that affects approximately 25,000 people every year, generally in the ages ranging from mid-twenties to mid-sixties. The condition develops when there is bleeding resulting from the rupture of an "aneurysm" (a balloon-like swelling of a blood vessel) in the brain. Bleeding under the arachnoid layer of membrane enveloping the brain results. SAH leads to severe neurological damage or death within sixty days in more than half of the approximately 25,000 Americans afflicted each year.

To treat SAH, a drug must be able to cross the "blood brain barrier," a barrier separating blood in the brain from the blood which circulates through the rest of the body. It is extremely difficult for pharmaceutical to cross this barrier. Nimodipine is able to cross this barrier far better than any other calcium channel blocker. Consequently, use of Nimodipine reduces the frequency of mortality and the extent of brain damage resulting from SAH.

So unique is its ability to cross the blood brain barrier that the drug has been considered a medicinal breakthrough. It was classified "1-A" by the Food and Drug Administration, signifying that the drug is a new chemical entity that provided important therapeutic gain. Prior to the approval of Nimotop^R , there was no therapeutic agent available for reduction of brain damage due to SAH. It was approved in December of 1988.

Nimodipine is imported by Miles in bulk powder form under Harmonized Tariff Schedule heading 2933.90.3000. Nimodipine is formulated into solution at Miles' Pharmaceutical Division in West Haven, Connecticut, encapsulated at R.P. Scherer in Clearwater, Florida, and is then packaged at West Haven.

D. Benefits of Duty Suspension

As explained in our written testimony in support of H.R. 1857, the duty suspension bill for Ciprofloxacin Hydrochloride, the potency and good systemic absorption of Ciprofloxacin result in the tablet form of the drug being as effective as many I.V. administered antimicrobials. Thus, many patients with serious infections who previously would have required I.V. antimicrobials to get similar bacterial killing power can now be treated by Ciprofloxacin Hydrochloride tablets, thereby avoiding costly I.V. therapy.

Nevertheless, there are situations when I.V. treatment of a patient is the only initial alternative; for example, where a patient is comatose or unable to swallow. A patient may also initially require an immediate and extremely high antimicrobial level in his system, beyond that which even Ciprofloxacin Hydrochloride tablets are able to supply in a short time. As will be explained below, however, the initial use of Ciprofloxacin in I.V. form will frequently result in the subsequent use of Ciprofloxacin Hydrochloride tablets, which will mean that I.V. treatment may, in most cases, be discontinued earlier than in the case of other I.V. administered antimicrobials.

Because of the high costs associated with I.V. treatment and hospitalization, initial IV therapy is frequently switched to an oral regimen as soon as possible. This is frequently done after a couple of days when the patient has begun to respond, and laboratory data confirm susceptibility of the infecting bacteria to the antibiotic selected.

Common practice prior to the availability of Ciprofloxacin Hydrochloride tablets was to continue costly in-hospital I.V. therapy for a full course of treatment. Without the ability to continue antimicrobial treatment by tablet with the same antimicrobial agent that was initially administered in I.V. form, physicians are reluctant to discontinue I.V. therapy and associated hospitalization. If the same antimicrobial which has proven successful in I.V. therapy is available in oral form, the physician may confidently switch to oral therapy. Changing antimicrobials to accomplish this economic benefit is far less likely on a physician's part than continuing the same antimicrobial in different form. I.V. Ciprofloxacin makes the economic benefit of oral therapy available without the physician's perceptions of risk associated with changing the antimicrobial.

Initial treatment by Cipro I.V.^{R} will frequently result in a transfer to treatment by Ciprofloxacin Hydrochloride tablets. Because Ciprofloxacin Hydrochloride tablets will be used, I.V. treatment may, in most cases, be discontinued at an earlier stage than in the case of treatment by other antimicrobials because, as noted above, treatment by Ciprofloxacin Hydrochloride tablets is often equivalent to I.V. treatment due to its high potency.

The ability to use Ciprofloxacin Hydrochloride tablets where I.V. drugs would otherwise have been required has tremendous ramifications in terms of medical cost containment and patient comfort and convenience. I.V. administered antimicrobials, in terms of product cost alone, are often five to ten times more expensive than a corresponding tablet form. To this, of course, must be added the costs associated with I.V. treatment such as hospitalization, I.V. apparatus, and monitoring. The use of Ciprofloxacin Hydrochloride tablets, on the other hand, avoids the associated I.V. costs and may be taken conveniently on an out patient, home basis, often avoiding costly hospitalization.

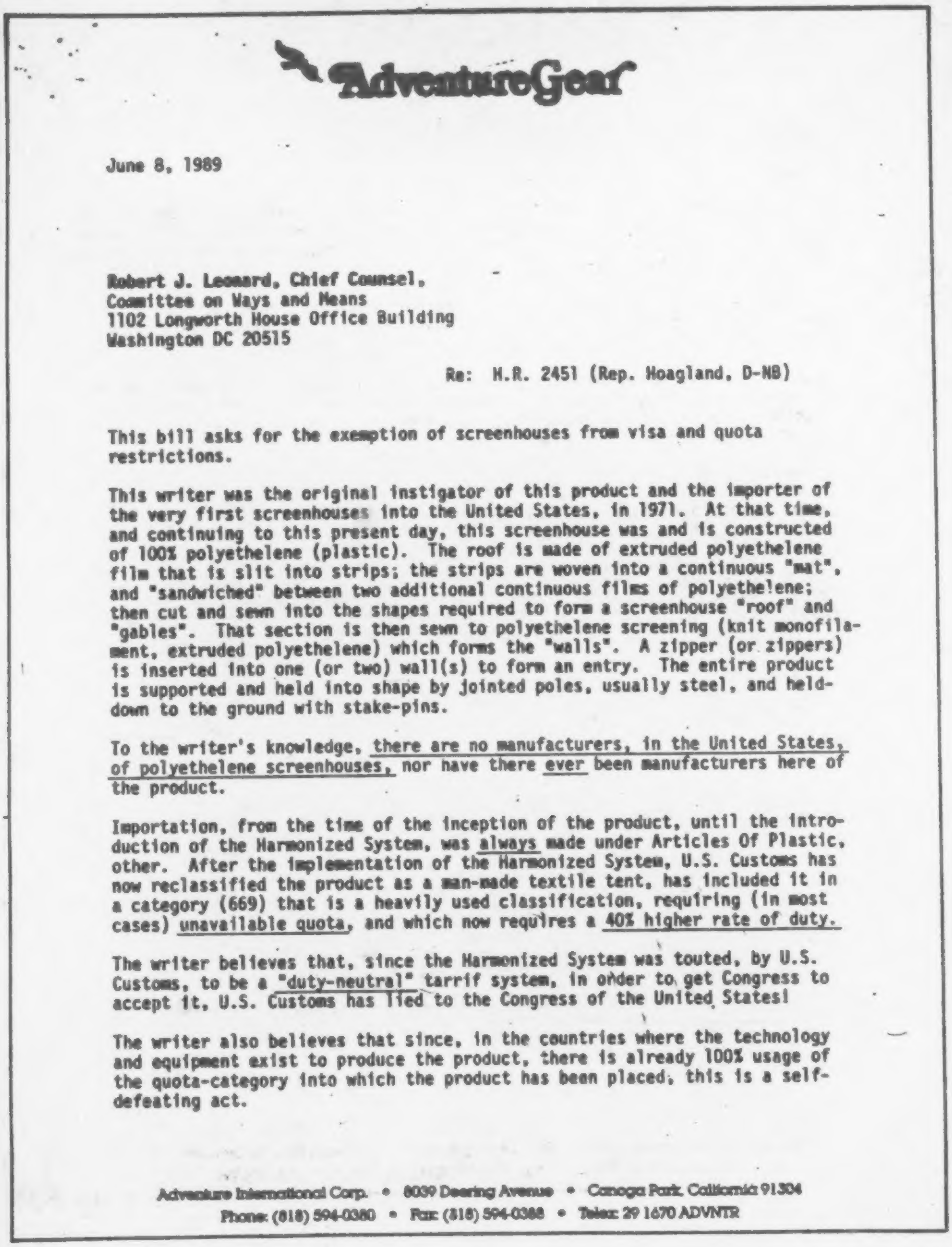
Moreover, due to a natural biological resistance to individual antimicrobials built up over time in the patient population, there is constantly a need to deploy new antimicrobial products to which such resistance has not yet developed. Ciprofloxacin has encountered very little of such resistance and has a mechanism which reduces the likelihood of resistance developing.

Miles products are competitively priced, and it is anticipated that such will be the case with Cipro I.V.^{R} . Based on present production, selling, development, and other indirect costs, such as duty payment, Miles cannot lower any product prices. Among the anticipated benefits of duty suspension, however, would be the ability to offset inevitable cost increases for Ciprofloxacin.

In the case of Nimodipine, the imported form of this drug is extremely expensive. Because the market for the drug is so specialized and narrow, the course of a typical treatment (e.g., 12 capsules a day for 21 days) can cost as much as $1,400. It is expected that duty suspension will enable Miles to partially offset potential increases in the product price.

Miles' management is constantly striving to increase the scope of its Pharmaceutical Division's activity in the production of existing products and addition of new products such as Ciprofloxacin and Nimodipine. The Pharmaceutical Division has recently applied substantial resources to research and development. Miles anticipates that the benefits from the duty suspension provided for in H.R. 2367 would contribute to the company's continued economic viability and growth. In particular, the contemplated duty suspension would permit Miles to expand further its already considerable research and development efforts in the pharmaceutical field, and to expand export sales.

Relating to the tariff treatment of screenhouse tents.



AdventureGear

June 8, 1989

Robert J. Leonard, Chief Counsel,
Committee on Ways and Means
1102 Longworth House Office Building
Washington DC 20515

Re: H.R. 2451 (Rep. Hoagland, D-NB)

This bill asks for the exemption of screenhouses from visa and quota restrictions.

This writer was the original instigator of this product and the importer of the very first screenhouses into the United States, in 1971. At that time, and continuing to this present day, this screenhouse was and is constructed of 100% polyethelene (plastic). The roof is made of extruded polyethelene film that is slit into strips; the strips are woven into a continuous "mat", and "sandwiched" between two additional continuous films of polyethelene; then cut and sewn into the shapes required to form a screenhouse "roof" and "gables". That section is then sewn to polyethelene screening (knit monofilament, extruded polyethelene) which forms the "walls". A zipper (or zippers) is inserted into one (or two) wall(s) to form an entry. The entire product is supported and held into shape by jointed poles, usually steel, and held-down to the ground with stake-pins.

To the writer's knowledge, there are no manufacturers, in the United States, of polyethelene screenhouses, nor have there ever been manufacturers here of the product.

Importation, from the time of the inception of the product, until the introduction of the Harmonized System, was always made under Articles Of Plastic, other. After the implementation of the Harmonized System, U.S. Customs has now reclassified the product as a man-made textile tent, has included it in a category (669) that is a heavily used classification, requiring (in most cases) unavailable quota, and which now requires a 40% higher rate of duty.

The writer believes that, since the Harmonized System was touted, by U.S. Customs, to be a "duty-neutral" tarrif system, in order to get Congress to accept it, U.S. Customs has lied to the Congress of the United States!

The writer also believes that since, in the countries where the technology and equipment exist to produce the product, there is already 100% usage of the quota-category into which the product has been placed, this is a self-defeating act.

Adventure International Corp. • 8039 Deering Avenue • Canoga Park, California 91304
Phone: (818) 594-0380 • Fax: (818) 594-0388 • Telex: 29 1670 ADVNTR

By requiring a quota for the product, which has been imported into the United States (for 18 years) as a plastic product, this will now create another category for "quota-dealers" to get involved, and will only add to the final costs, all at the expense of the U.S. Consumer!

It seems that the only beneficiary of having the product under a quota management, is U.S. Customs, due to their increased revenue obtained from a higher duty rate. Again, only at the expense of the U.S. Consumer!

Request is hereby made that the polyethelene screenhouse be exempted from any quota restrictions and returned to its original classification of Articles of Plastic (or steel if the Harmonized System of chief-weight evaluations are to be maintained).

Sincerely,

ADVENTURE INTERNATIONAL CORPORATION

Myron Freeman
President

MF/hd

Adventure International Corp. • 8039 Deering Avenue • Canoga Park, [illegible]
Phone: (818) 594-0380 • Fax: (818) [illegible] • Telex: 27 1670 [illegible]

AFTAC AMERICAN FIBER, TEXTILE, APPAREL COALITION

1801 K STREET, N.W., SUITE 900, WASHINGTON, D.C. 20006 (202)862-0500

June 12, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in the Subcommittee Press Release No. 12 dated May 24, 1989. The American Fiber, Textile, Apparel Coalition (AFTAC) is a broad-based coalition which includes 21 organizations representing industry and labor producing most of the fibers, fabrics, home furnishings, industrial textiles and apparel made in the United States.

AFTAC opposes H.R. 2451, a bill affecting the tariff treatment of screenhouse tents, because the legislation provides for duty reductions, which will be discussed at the Uruguay Round. Such unilateral cuts will harm the negotiating ability of the United States.

The bill's 43 percent duty reduction for screenhouse fabric made abroad would put American producers of this material at an even greater competitive disadvantage, thus causing them further injury.

For these reasons, AFTAC opposes H.R. 2451 and recommends that the Subcommittee on Trade not give it favorable consideration. We appreciate the opportunity to comment on this bill and would ask that this letter be made a part of the record.

Sincerely,

Robert Blanchard
Robert Blanchard
Chairman

RB/vab

Amalgamated Clothing & Textile Workers Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet & Rug Institute
Clothing Manufacturers Association of America
Cordage Institute
Industrial Fabrics Association International
International Ladies' Garment Workers Union
Knitted Textile Association
Luggage & Leather Goods Manufacturers of America
Man-Made Fiber Producers Association, Inc
National Association of Uniform Manufacturers
National Cotton Council of America
National Knitwear Manufacterers Association
National Knitwear & Sportswear Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association, Inc.
Work Glove Manufacturers Association

American Textile Manufacturers Institute, Inc.
1801 K Street, N.W., Suite 900, Washington, D.C. 20006

June 12, 1989

Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

This is in response to your request for comment on various miscellaneous trade and tariff bills announced in Subcommittee Press Release No. 12 dated May 24, 1989. The American Textile Manufacturers Institute (ATMI) represents members which account for over 80 percent of all U.S. textile production.

ATMI is opposed to the provisions of H.R. 2451, legislation regarding the tariff treatment of screenhouse tents.

Since there are domestic producers of the man-made fiber filament fabrics used in screenhouses, it would give foreign producers an unfair advantage to allow a unilateral duty reduction of 43 percent (from 10 percent to 5.7 percent). Secondly, all textile products are subject to having their duties cut in the context of the Uruguay Round. Any cut would be subject to intense negotiation. To make such cuts unilaterally by legislation, such as the one proposed, would only serve to weaken the United States' bargaining position.

Thank you for your time and consideration on this matter.

Sincerely,

Carlos Moore

Carlos Moore
Executive Vice President

CM/vab

CRAFTED WITH PRIDE IN U.S.A.

Tel: 202/862-0500 Fax: 202/862-0570 Twx:710-822-9489

June 8, 1989

Robert J. Leonard, Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

Jinwoong Inc. is a manufacturer and importer of leisure goods. Our company is also one of the largest suppliers of screenhouses. We are aware of pending legislation affecting screenhouses and this letter is intended as a means of showing support for Bill # H.R. 2451.

Recently, Customs Headquarters issued a binding ruling for screenhouses under HTSUS 6306.22.90003 (other tents of synthetic fibers). This classification has a 10% duty rate and quota is required for textile category 669 (T). Previously, this item was brought into the U.S. through various ports under HTSUS 3926.90.90506 (other plastic articles) with a 5.3% duty rate and no quota requirements.

The importing community is concerned that Customs ruling will have an adverse affect on the importation of screenhouses. The higher duty rate increases the cost to import these items, which then increases the cost to the U.S. consumer. However, the major concern to importers is over quota restrictions. Due to the high demand for these articles there is not sufficient quota allocated to category 669 (T) to include screenhouses. High end camping tents receive priority in regards to quota allocations. Already we have encountered problems trying to obtain the necessary quota. Unless this bill is passed, screenhouse production will have to be drastically cut, possibly even eliminated. This would undoubtably affect many U.S. workers within distribution. Presently, there are no domestic manufacturers, therefore overseas production is not endangering domestic markets.

Sincerely,

Jinwoong Inc.

Sue Dickson

Sue Dickson
Import/Export Manager

JINWOONG INC
254 E. Hacienda Ave. • Campbell, CA 95008 U.S.A. • (408) 374-6900 • FAX (408) 374-6906

BARNES, RICHARDSON & COLBURN
ATTORNEYS & COUNSELLORS AT LAW
475 PARK AVENUE SOUTH
NEW YORK, N. Y. 10016
TEL. (212) 725-0200
CABLE "BARCHAL" N.Y.
INTL.-DOMESTIC TELEX 966653
TELECOPIER (212) 889-4135

E. THOMAS HONEY
JAMES H. LUNDQUIST, P.C.
ANDREW P. VANCE
JAMES S. O'KELLY
RUFUS E. JARMAN, JR.
DAVID O. ELLIOTT
GUNTER VON CONRAD *
ROBERT E. BURKE
LEONARD LEHMAN
DONALD J. UNGER *
MATTHEW T. McGRATH *

JOSEPHINE N. BELLI
SANDRA L. FRIEDMAN
JESSE M. GERSON *
JAMES K. HORGAN
KAZUMUNE V. KANO *
MELVIN E. LAZAR
ALBERTO J. MARGOLIES
PETER A. MARTIN *
JEREMY ROSS PAGE *
ROBERT H. SCHOR
JACK M. SIMMONS, III *
BRIAN F. WALSH *

WASHINGTON, D.C.
1819 H STREET, N. W.
WASHINGTON, D.C. 20006
TEL. (202) 457-0300
INTL.-DOMESTIC TELEX 904129

CHICAGO
200 EAST RANDOLPH DRIVE
48TH FLOOR
CHICAGO, ILLINOIS 60601
TEL. (312) 565-2000
INTL.-DOMESTIC TELEX 6502815774 MCI

COUNSEL
NORMAN KATZ

* NOT ADMITTED IN NEW YORK

June 9, 1989

FEDERAL EXPRESS

Robert J. Leonard, Esq.
Chief Counsel
Committee On Ways & Means
1102 Longworth
House Office Building
Washington, D.C. 20515

Re: HR 2451

Dear Sir:

I represent Nelson/Weather-Rite, Inc. of Lenexa, Kansas which is an importer adversely affected by a recent ruling issued by Headquarters, United States Customs Service under Ruling No. 083789 dated March 31, 1989, a copy of which is annexed hereto for your convenience, in which a certain imported article identified as a screen house was held to be classified under subheading 6306.22.90 of the HTS at 10% *ad valorem* and subject to visa requirements under textile Category No. 669.

You are advised that prior to the implementation of the Harmonized System, Nelson/Weather-Rite, Inc. had received a ruling from Headquarters, United States Customs Service dated July 14, 1987 in which the imported screen houses were ruled to be properly classified under Item No. 653.00 of the TSUS at 5.7% and not subject to textile quota restraints. A copy of said ruling is annexed hereto.

It should be noted that the current ruling under th HTS increases the rate of duty from 5.7% under the TSUS to 10% under the claimed provision of the HTS as currently asserted by the United States Customs Service and, further, that the article at issue was converted from one which was not covered by textile restraints to one which was covered by textile restraints requiring a visa upon importation.

Upon acquiring knowledge of Ruling No. 083789 dated March 31, 1989 Nelson/Weather-Rite, Inc. provided the Import Specialist at the Port of Kansas City with a copy of said ruling and as a result thereof Notices of Redelivery were issued at the Port of Kansas City with respect to four separate importation of screen houses by Nelson/Weather-Rite, Inc. alleging in said notices that the imported screen houses had been improperly imported without the required textile visa under Category 669. The Nelson/Weather-Rite entries subject to Notices of Redelivery are as follows:

Entry No.	Dated
595-0915170-6	4/27/89
595-0914906-4	4/20/89
595-0914264-8	4/11/89
595-0913790-3	4/10/89

Your particular attention is directed to the fact that two of the four entries listed above were imported prior to April 15, 1989. Copies of the two notices of redelivery are submitted herewith for your consideration.

Pursuant to said Notices of Redelivery the importer not only will be subject to almost double the rate of duty previously required under the TSUS but may also be subject to liquidated damages for failure to redeliver in the event that quota covering the shipments remains unavailable.

HR 2451 seeks to remedy a serious inequity and disastrous consequences to good faith importers. It must be remembered that not only are current importations adversely affected by the Headquarters ruling in question but, of even greater consequence to all importers of this type of article, there are additional shipments on the water, in the process of being shipped and in the production pipeline which shipments will be subject to large increases in duty (almost double), the necessity and expense required to obtain quota, (if available) all of which is compounded by the fact that these importers will be filling orders at prices which did not take into account these additional expenses.

We wish to express, on behalf of our clients, whole hearted support for the passage of HR 2451 to correct a gross inequity suffered by good faith importers who were operating on the basis of the prior TSUS ruling which was followed by Customs from January 1, 1989 to on or about March 31, 1989 except that it is recommended that Section 2(b) line 10 be amended to reflect the date of March 31, 1989 (the date of the Headquarters ruling) rather than the arbitrary date selected of April 15, 1989. It should be noted that two entries of Nelson/Weather-Rite subject to Demands for Redelivery at the Port of Kansas City cover entries dated April 11, 1989 and April 10, 1989 and will not be covered by the corrective legislation in the form presently proposed. To protect this importer and other importers similarly situated the date of Ruling No. 083789 should be used to cover all entries made after the date of said ruling.

It is therefore recommended that HR 2451 be enacted with an outside effective date of March 31, 1989 for the filing of requests to accomplish corrective reliquidations and with a view to keep a commitment made to the importing public that the implementation of the Harmonized Tariff System was to be duty neutral and would not cause substantial increases in the rates of duty or effect changes in textile restraints.

Please contact the undersigned directly if additional information is required.

Your consideration of this matter is greatly appreciated.

Very truly yours,

Norman Katz
Attorney for Nelson/Weather-Rite, Inc.

NK/ms

F 3926

(20)

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON, D.C.

MAR 31 1989

HQ 083789

N.T.-An 3

[redacted]

CLA-2:CO:R:C:G 083789 SR

CATEGORY: Classification

TARIFF NO.: 6306.22.9000

[redacted]

This is in reference to your letter dated January 27, 1989, requesting the tariff classification of a screen house imported by Sportsstuff, Inc., under the Harmonized Tariff Schedule of the United States Annotated (HTSUSA).

FACTS:

The merchandise at issue is the "Oasis Screenhouse." It comes in two sizes, 9' x 12' and 10' x 10'. The roof of the screen house is constructed of woven polyethylene strips covered on both sides with a visible plastics coating. The four sides of the screen house are composed of polyethylene screening in the form of a textile. The structure is supported by means of steel poles and steel stakes. Coated polyethylene strips also provide reinforcement as a splash cloth around the base of the structure. There is no floor to the structure. The screen functions to provide protection from rain, to provide shade, and to protect food and people from insects.

ISSUE:

What is the classification of a screen house under the HTS A?

LAW AND ANALYSIS:

Classification of goods under the HTSUSA is governed by the General Rules of Interpretation (GRI), taken in order. GRI 1 provides that classification shall be determined according to t terms of the headings and any relative section or chapter notes

Heading 6306, HTSUSA, provides for tents. The Explanatory Notes to the HTSUSA constitute the official interpretation of t tariff at the international level. The Explanatory Notes to heading 6306, HTSUSA, define tents as follows:

> Tents are shelters made of lightweight to fairly heavy fabrics of man-made fibres, cotton or blended textile materials, whether or not coated, covered or laminated, or of canvas. They usually have a single or double roof and sides or walls (single or double), which permit the formation of an enclosure. The heading covers tents of various sizes and shapes, e.g., marquees and tents for military, camping (including backpack tents), circus, beac use. They are classified in this heading, whether or not they are presented complete with their tent poles, tent pegs, guy ropes or other accessories.

The definition of a tent in the Explanatory Notes is very broad and includes a wide variety of structures. The screen house at issue would be considered a tent under the definition provided. However, according to Note 1 to chapter 63, HTSUSA, heading 6306 applies only to made up articles of textile fabric The screen house consists of three components, the coated polyethylene plastic that makes up the roof, the polyethylene screening that is considered a textile, and the steel poles. Under GRI 3(b) it must be determined which of these components imparts the essential character of the item. In determining th essential character, the factors to be considered include the nature of the material or component, its bulk, quantity, weight or value, and the role of each constituent material in relation to the use of the goods.

The Explanatory Notes to heading 6306, HTSUSA, state that items are classified under heading 6306 whether or not they are presented complete with their poles. For this reason only the polyethylene plastic and the polyethylene textile will be considered in determining the essential character. If the essential character is imparted by the polyethylene roof, the screen house is classifiable under subheading 3926.90.9050, HTSUSA, as other articles of plastics. If the essential character is imparted by the textile screening material, it is classifiable under subheading 6306.22.90, HTSUSA, as tents of synthetic fibers, other.

In determining the essential character, the plastic weighs more than the screening material; however, the screening materi covers more surface area. The plastic roof functions to prov shade and to protect against rain, the screening keeps out insects. Since neither of these materials imparts the essential character, GRI 3(c) must be used to classify the item under the proper subheading. Under GRI 3(c), goods are classified under the heading which occurs last in numerical order among those which equally merit consideration. The heading which equally merit consideration are 3926.90.9050, and 6306.22.9000, HTSUSA.

HOLDING:

The screen house is classifiable under subheading 6306.22.90, HTSUSA, which provides for tents, of synthetic fibers, other. The rate of duty is 10 percent, the textile category number is 669.

Due to the changeable nature of the statistical annotation (the ninth and tenth digits of the classification) and the restraint (quota/visa) categories, you should contact your local Customs office prior to importation of this merchandise to determine the current status of any import restraints or requirements.

Sincerely,

John Durant, Director
Commercial Rulings Division

MAY-22-89 MON 10:01 NELSON/WEATHER-RITE P.02

MAY 19 '89 08:05 816 P.2

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
19 U.S.C. 1304

NOTICE OF REDELIVERY—MARKINGS; ETC.

O'Neill and Whitaker NEL 9214

PORT	ENTRY NO.	DATE OF ENTRY	No. of Cases Released
Kansas City	595-0915170-6 595-0914906-4	4-27-89 4-20-89	600 and 600
			No. of Cases Retained

MARKETING STATUTE, ETC.

☐ Section 304, T.A.
☐ Wool Products Labeling Act
☐ Schedule 7, Part 2B Headnote 4 TSUSA
☐ Fur Products Labeling Act
☐ Foreign Assets Control Regulations
☐ Textile Fiber Products Identification Act
☒ Other

FROM (Include Phone No.)

U. S. CUSTOMS SERVICE
2701 ROCKCREEK PKWY.
NORTH KANSAS CITY, MO 64116

Nelson Weather-Rite Inc
125 Enterprise Ave
Secaucus, NJ 07094

TO IMPORTER—Redelivery is hereby ordered of the following shipment for the reason stated above. Deliver to Customs all merchandise which has been released to you under the terms of the entry bond. This shipment can not be released unless brought into conformity with the statute indicated. Articles not returned or properly marked within 30 days of this notice become liable for liquidated damage.

DESCRIPTION OF MERCHANDISE	QUANTITY	MARKS—NUMBERS
Screen House	2400 pcs	

☐ You are authorized to mark the merchandise at a place other than public stores. When marking is accomplished complete certification below and return both copies of this form ☐ with ☐ without a sample of the marked merchandise of this office. Merchandise must be held until marking is verified or notification received that marking is acceptable.

☐ Merchandise to be marked under customs supervision

REMARKS: Redeliver immediately merchandise inadmissible because required visa for category 669 from Korea not presented prior to release.

SIGNATURE OF CUSTOM OFFICER: L Erickson tel 816-471-8534 DATE: 5-18-89

IMPORTER—COMPLETE APPROPRIATE ITEMS

	Place	Date	Time
☐ Merchandise is to be marked at place other than Public Stores.			
☐ Merchandise to be ☐ exported ☐ destroyed under customs supervision in lieu of marking. I (we) guarantee the payment of all expenses incident to above action.			

☐ I certify that the merchandise has been marked to indicate the country of origin as required by Section 304, Tariff Act 1930.
Sample ☐ is ☐ is not submitted herewith.

SIGNATURE OF IMPORTER DATE

☐ ______________ Supervise the required action as set forth in this notice

☐ Marking waived pursuant to your request dated ______

☐ The merchandise has been ☐ legally marked ☐ exported ☐ destroyed or, ☐ the certified marking accepted, except as noted on reverse.

MAY-19-89 FRI 15:59 NELSON/WEATHER-RITE P.02

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
[illegible]

NOTICE OF REDELIVERY—MARKINGS, ETC.

PORT	ENTRY NO.	DATE OF ENTRY	No. of Cases Released
Kansas .y Mo. 4501	595-09142648 595-09137903	04-11-89 04-10-89	600 & 600
			No. of Cases Returned " "

MARKING, STATUTE, ETC.

☐ Section 304, T.A.
☐ Wool Products Labeling Act
☐ Schedule 7, Part 2E Headnote 4 TSUSA
☐ Fur Products Labeling Act
☐ Foreign Assets Control Regulations
☐ Textile Fiber Products Identification Act
☒ Other

FROM (Include Phone No.)
U. S. Cistoms Service
2701 Rockcreek Parkwa
N. K. C. Mo. 64116

RECEI
MAY 18 1989

Nelson / Weather-Rite Inc
125 Enterprise avenue
Secaucus N. J. 07094-0000

TO IMPORTER - Redelivery is hereby ordered of the following shipment for the reason stated above. Deliver to Customs all merchandise which has been released to you under the terms of the entry bond. This shipment can not be released unless brought into conformity with the statute indicated. Articles not returned or properly marked within 30 days of this notice become liable for liquidated damage.

DESCRIPTION OF MERCHANDISE	QUANTITY	MARKS - NUMBERS
Item No. 4662 Screenhouses	2400 pcs.	=NWR= Kansas City P.O.NO.:Kt8836

☐ You are authorized to mark the merchandise at a place other than public stores. When marking is accomplished complete certification below and return both copies of this form ☐ with ☐ without a sample of the marked merchandise of this office. Merchandise must be held until marking is verified or notification received that marking is acceptable.

☐ Merchandise to be marked under customs supervision.

REMARKS:
Redeliver immeadiatly to U. S. Customs. Merchandise is inadmissable because of Visa requirements and quota restraints.

SIGNATURE OF CUSTOMS OFFICER
W. Williams W. Williams

DATE 05-16-89

IMPORTER—COMPLETE APPROPRIATE ITEMS

	Place	Date	Time
☐ Merchandise is to be marked at place other than Public Stores.			
☐ Merchandise to be ☐ exported ☐ destroyed under customs supervision in lieu of marking.			

I (we) guarantee the payment of a[illegible] expens[illegible] ent to above action.

☐ I certify that the merchandise has [illegible] d to indicate [illegible] ountry of origin as required by Section 304, Tariff Act 1930.
Sample ☐ is ☐ [illegible] submitted here[illegible]

SIGNATURE OF IMPORTER

DATE

☐ ______________ Supervis[illegible] ction as set forth in this notice.

☐ Marking waived pursuant to your request dated ______
☐ The merchandise has been ☐ legally marked ☐ e[illegible] destroyed or ☐ the certified marking accepted, except as noted on reverse

SIGNATURE OF CUSTOMS OFFICER

DATE

ADDUCI, MASTRIANI, MEEKS & SCHILL

ATTORNEYS AT LAW
551 FIFTH AVENUE
NEW YORK, NEW YORK 10176
(212) 949-7120
TELEX: ITT 440347 ADDI
TELECOPIER: (212) 818-1839

V. JAMES ADDUCI II*
LOUIS S. MASTRIANI
CHARLES F. SCHILL*
JEFFREY A. MEEKS*
BARBARA A. MURPHY*
RALPH H. SHEPPARD
ELIZABETH R. P. BOWEN*
*ADMITTED TO A BAR OTHER THAN NEW YORK

WASHINGTON
1140 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20036
(202) 467-6300
TELECOPIERS
(202) 466-2006
(202) 467-4732

June 9, 1989

Robert J. Leonard
Chief Counsel
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Attn: Subcommittee on Trade

Re: Comments in Support of H.R. 2451
Tariff Treatment of Screenhouse Tents
Our File: TEX-015

Dear Mr. Leonard:

We are submitting the following comments in support of H.R. 2451, introduced by Representative Hoagland (D-NE) on May 23, 1989. These comments in support of the bill are being submitted on behalf of our client, TEXSPORT of Houston, Texas. TEXSPORT is strongly in favor of this bill, which addresses the inadvertent but serious discrepancy in the tariff and non-tariff treatment of imported screenhouses resulting from the January 1, 1989 transition from the Tariff Schedule of the United States (TSUS) to the Harmonized Tariff Schedule (HTS).

Prior to the implementation of the HTS, the imported screenhouses, which are in chief value of plastics, were classified as articles of plastic under TSUS 774.58 and dutiable at a rate of 5.3% ad valorem. They were not subject to any textile visa or quota requirement. Since the enactment of the HTS, Customs has ruled that the identical screenhouses are classified under HTS Subheading 6306.22.90, a textile provision, as "Other tents" dutiable at a rate of 10% ad valorem, and subject to visa and quota limitations under Textile Category 669.

We believe that this drastic change in tariff and non-tariff treatment of the imported products is unwarranted, and we wholeheartedly support the correction made by H.R. 2451. We support the legislation for the following specific factual and legal reasons, as well as on the policy basis that the enactment of the HTS was not intended to increase the duty on this product nor was this result foreseen.

I. BACKGROUND

The products covered by the legislation are called in the trade- "screenhouse tents". They consist of a laminated polyethylene plastic material which makes up the roof and the splash guard around the bottom of the tent. The sides of the screenhouse consist of a polyethylene mesh screening. The screenhouse is supported by steel poles, which are placed at the center and the four corners of the tent. The chief value of the screenhouses, which was a determining factor under the TSUS, is usually imparted by the plastic.

Under the TSUS, Customs consistently classified the imported article under TSUS item 774.58, as an article not specially provided for, of rubber or plastic, with a duty of 5.3% *ad valorem* and no quota or visa requirement. Specifically in Ruling 062138 (April 25, 1979), Customs held that since the chief value of imported screenhouses was the polyethylene laminated material, screenhouses were therefore properly classified as an article of plastic.

Therefore, prior to enactment of the HTS, the imported screenhouses were not among the class of articles included under quota Category 669 or any other textile quota restraint, tents were not subject to quota.

II. HTS Classification

Customs' position on classification of the screenhouses under the HTS was expressed in Ruling 083683 of March 30, 1989. While we do not agree with Customs as to the "essential character" of these articles, they have held that screenhouses are classifiable under HTS Subheading 6306.22.90 at a rate of duty of 10% under textile quota Category 669. This classification is in contrast to the HTS provisions which equate with the prior TSUS classifications, 3926.90.90 at 5.3% and not subject to quota, if the "essential character" is plastic or 7326.90.90 at 5.7% and not subject to quota if the "essential character" is steel.

III. Policy Considerations

A) Legislative Intent

To the extent it is possible to discern the intention of the drafters of the legislative enactment of the HTS, it appears that there was no desire to shift the classification of this merchandise to a textile quota classification or a higher duty rate. The overall intent was to attempt revenue neutrality and while these products were previously classified in so-called "basket provisions", it still appears that no rate change was anticipated by the USITC nor intended by Congress. In fact, the current bill, HR 2451, re-establishes that revenue and quota neutrality without upsetting the overall tariff structure enacted.

B) Loss of Revenue

The current bill will result in no loss of revenue compared with the TSUS. In fact, imports of screenhouses previously subject to duty as plastic articles at 5.3% will result in a revenue gain when subjected to the 5.7% rate of the proposed legislation.

Total imports from all sources in 1988 are estimated to be no more than 500,000 units at a total value of approximately $12 million or a total duty of $712,500 at 5.7%.

C) Domestic Industry

This legislation will not negatively affect any domestic industry. First, we are not aware of any domestic concern which manufactures these articles and we believe all production already occurs offshore. Secondly, as this bill only reverts matters to the status quo prior to HTS enactment, the bill could not injure any U.S. concern, but will benefit many domestic companies whose overall line of merchandise include these imported screenhouses. Many of these companies have already priced and sold screenhouses based on the uniform classification practices of the past several years and will suffer significant losses if the higher duty rate is imposed.

D) Other Policy Considerations

The hidden costs to the U.S. of not enacting the proposed legislation may be significant. Manpower and expenses to renegotiate textile quota agreement levels in Category 669 with various trading partners must be considered. This cost is not a cost which was contemplated nor is it one which is necessary for effective administration of our textile import program or the HTS.

Secondly, the costs of further administrative consideration by Customs of this classification issue including rulings, numerous protests filed on an entry-by-entry basis and eventual litigation in the U.S. Court of International Trade can all be avoided by enactment of HR 2451.

CONCLUSION

We believe that the current classification of screenhouses under the HTS results in an unnecessary inequity to various U.S. concerns. We believe it is an unintended result of the conversion project which was to be revenue neutral. As there is no reason not to support enactment of this corrective legislation we urge the Committee's support and passage of HR 2451.

If there are any questions which we can be of assistance with, please contact the undersigned at (212) 949-7120.

Respectfully Submitted,

ADDUCI, MASTRIANI, MEEKS
AND SCHILL

Attorneys for TEXSPORT

Jeffrey A. Meeks

15TEX6.6

LAW OFFICES
GEORGE R. TUTTLE
A PROFESSIONAL CORPORATION
1331 PENNSYLVANIA AVENUE, N.W., SUITE [illegible]
WASHINGTON, D.C. 20004
TELEPHONE: (202) 662-7560
TELECOPIER: (202) 662-7551
TELEX: [illegible] 27863

GEORGE R. TUTTLE
IRVING W. SMITH, JR.*
DALE O. TORRENCE**
OF COUNSEL
*ADMITTED IN WISCONSIN
**ADMITTED IN NORTH CAROLINA

THREE EMBARCADERO CENTER
SAN FRANCISCO, CALIFORNIA 94111
TELEPHONE: (415) 986-8780
TELECOPIER: (415) [illegible]

505 CITY PARKWAY WEST
ORANGE, CALIFORNIA 92668
TELEPHONE: (714) 634-9278
TELECOPIER: (714) 634-8692

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June 9, 1989

1148

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
Room 1102 Longworth Building
Washington, D.C. 20515

Re: Comments in Support of H.R. 2451, to Create a Separate Subheading in Chapter 63 for Screenhouses

Dear Mr. Leonard:

We wish to submit the following comments in support of H.R. 2451.

H.R. 2451 would provide a separate rate and statistical line in Chapter 63 of the Harmonized Tariff Schedules (other made-up textile articles) for a product known as screenhouses. The screenhouses are tent-like articles usually set up in backyards, at picnics and campings to protect users from rain, sun and insects. Screenhouses were usually imported as articles of iron or steel in Item 663.00 of the old Tariff Schedules of the United States prior to January 1, 1989. However, some were imported as articles of plastics. Because of a change in the basis of classification, chief value under the old tariff and essential character under the new tariff, the screenhouses have been classified by U.S. Customs as textile articles. However, the basis of this classification is not without its doubts, could well be the subject of litigation, and the products could be classified in one of several different provisions of the new tariff depending upon their construction and composition.

H.R. 2451 would settle the classification issue, provide constant statistics, assign screenhouses the same rate of duty as under the old tariff and give importers of screenhouses the certainty they need in order to do business on a predictable basis. It would not move them out of the textile chapters of the new tariff but would, as previously stated, provide a separate rate and statistical line in Chapter 63 as other made-up textile articles.

We understand that there are no domestic manufacturers of screenhouses and that imports are in excess of 500,000 units. However, accurate statistics are unavailable because they were classified in various basket provisions of the old tariff, depending upon the value of the different components.

We urge that this bill be enacted at the earliest possible date in order to ensure certainty and fairness to the many businesses which deal in these products and wish only to be restored to the position they were in prior to January 1, 1989.

Very truly yours,

Law Offices of
GEORGE R. TUTTLE, P.C.

By: Dale O. Torrence
Dale O. Torrence

DOT/jlf
WP*2451.RJL